The NATIONAL UNDERWRITER

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ALC Adopts Resolution On Income Tax After Spirited Discussion In Forum

By ROBERT B. MITCHELL

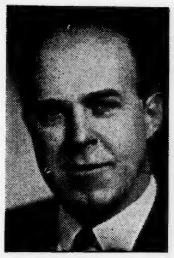
As the final action of its closing general session, American Life Convention in executive session adopted the following resolution on the income taxation of life companies:

"Be it resolved that the American Life Convention reaffirms its position in favor of federal income taxation of life insurance companies on a net investment income basis and further resolves that it will endeavor to secure the enactment of legislation based on this true and historic principle, it being understood that the joint committee on federal income taxation of life insurance companies may continue to function in line with the four-point statement, accompanying the report of its committee chairman of Oct. 8, 1958." (This four-point statement appeared on page one in last week's issue of The National Underwriter.)

Immediate Past President John A. Lloyd's spirited and at times scornful attack on the total income method of taxing life companies as proposed by a group of 26 mutuals provided a dramatic climax for American Life Convention's tax forum at the final general session of the annual meeting in Chicago.

While speaking only for himself and his company, which is mutual, Mr. Lloyd said, "I know from my correspondence and conferences that there are many other mutual companies which agree with me in opposing the so-called total income method and in supporting the investment income approach."

John A. Lloyd



Louis W. Dawson

Mr. Lloyd made no secret of being irked at the mutual group both for seeking a separate solution designed for mutuals and for doing it on the total income basis.

"Everywhere you hear propaganda for 'unity,'" he said. "Let's face up to it: Unity went out the window when the Temporary Mutual Tax Committee went over the hill to chase the illusion of total income taxation."

Though expressing "complete sympathy" with the stock companies and a promise to support them "whenever and however I can do so properly," Mr. Lloyd said he was impelled to counsel his stock company friends that they should face the facts of life.

Scores Mere Opposition

"Mere opposition to the total income approach is not sufficient under today's circumstances," he warned. "There is a strong feeling on Capitol Hill that life insurance companies are undertaxed and it is due as much to the suspicion that many very profitable stock company operations have not been paying their just share of taxes as it is that some of the giant mutual pools have been escaping their full tax responsibilities.

"At the next public hearing, our witnesses will meet head-on the information widely disseminated by brokers and promoters of new stock companies of the fantastic increase in stock values which has been attributed glibly to 'a favorable tax structure.' After we have finished arguing that the total income approach will give

(CONTINUED ON PAGE 9)

Decision For SEC On Variable Annuity Wouldn't Stop Pru

Even if the U. S. Supreme Court decision to review the circuit court's refusal to hold that Securities & Exchange Commission has jurisdiction over variable annuities results in a reversal, it won't stop Prudential in its efforts to get legislation permitting it to issue variable annuity contracts.

A Prudential spokesman, queried on this point, mentioned that President Carrol M. Shanks had said on various occasions that if issuance of variable annuities meant having to submit its proposed variable annuity operations to SEC regulation, the company would do so rather than forego issuance of such contracts.

Sees Silver Lining

While actual and would-be variable annuity insurers would have preferred a Supreme Court denial of certiorari in the variable annuity case, there is something to be said for getting the matter settled finally without further delay. If the Supreme Court had denied certiorari, the SEC could have kept trying in other circuit court jurisdictions in the hope of getting a favorable decision which would involve a conflict between circuits and a consequent necessity for the Supreme Court to resolve the conflict.

Inquiries in Washington disclosed a report that it was Justice Douglas who decided the certiorari writ should be issued. Entirely aside from the fact that he is a former head of the SEC, the mere issuance of the writ is not regarded as auguring a reversal of the circuit court decision favoring Variable Annuity Life and Equity Annuity Life.

Those familiar with Supreme Court procedure say that it is customary for a single justice to make the decision, in most cases, on whether or not to review a lower court decision. Where the matter is believed to be of considerable moment, the justice may be influenced by the fact that he doesn't want to take the sole responsibility for foreclosing an appeal, even if he feels the other justices will probably agree with him that there is not an adequate basis for reversing the circuit court.

Wood, White Head NALU Committees

R. Edwin Wood, Phoenix Mutual, San Francisco, has been appointed chairman of the National Assn. of Life Underwriters committee of agents, and Jack White, Prudential, Los Angeles, will be chairman of the committee on associations, which is composed of presidents of state associations.

Mr. Wood was elected a trustee at the recent annual meeting and Mr. White served as a trustee from 1954 until the 1958 meeting.

9-Month Gain For Mass. Mutual

Massachusetts Mutual's ordinary sales during the first three quarters of 1958 totaled $705,743,311, a gain of 32.4% over the same period last year. Ordinary sales in September were $81,463,854, an increase of 47.9% over the same month in 1957.

O'Mahoney Questions Commissioners On Operational Details

WASHINGTON—The Senate antitrust and monopoly subcommittee, whose investigation of the insurance business and of state regulation is being directed by Sen. O'Mahoney, has sent a questionnaire to all state supervisory officials. Several questions are aimed at finding out what requirements new companies have to meet to get into business and what standards, financial and otherwise, are applied to insurers from outside who are seeking to enter the state.

In addition, several questions are asked about the method of selecting the commissioner and the outside activities of insurance department staffs, if any.

How Many New Insurers?

Specifically, the subcommittee wants to know the number of new domestic insurers, broken down by category, that have been chartered and licensed in the state in the past five years, along with the total premium volume of such companies for 1957.

How many out-of-state companies have been admitted and how many have withdrawn in the period 1953-57 inclusive? The questionnaire calls for all details concerning companies that have applied for licenses in the past five years, where such applications were denied or not acted upon.

What are the minimum capital and surplus requirements for licensing in-

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Inflation Gravest Peril To Insurance, ALC Section Warned

Investment Executives Hold Session Following Convention At Chicago

The "greatest single danger" to life insurance today is the constant erosion of the dollar, with attendant decline in the purchasing power of policyholders' funds, John B. Siegel Jr., vice-president of Life of Virginia and chairman of the American Life Convention Financial Section, told the members of the section at their meeting in Chicago.

Perry S. Bower, vice-president and treasurer Great-West Life, was named financial section chairman to succeed John B. Siegel Jr., vice-president Life of Virginia.

Sherwin C. Badger, vice-president New England Life, is the new vice-chairman.

Carleton G. Lane, vice-president Union Mutual Life, was elected secretary.

The Financial Section met the day after the conclusion of the general convention sessions.

Mr. Siegel warned that decisions and developments of the last 12 months have given sudden impetus once again to the inflationary spiral.

"One has but to look around to see the unmistakable evidences of the growing inflationary psychology," he said. "The overnight formation of the giant new mutual funds, the upsurge in bond yields with the parallel drop in bond prices, the obvious decision of corporate management to expand via debt financing and cheap dollars rather than equities, and finally, the recent action of the stock market—all serve to focus attention on this growing spectre."

Mr. Siegel said that in the face of an annual decline in the purchasing power of the dollar, extra interest or capital appreciation is needed to offset this loss.

We face no imaginary threat, but rather what amounts to an actual

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John B. Siegel Jr., (right) vice-president Life of Virginia and retiring chairman of ALC financial section congratulates his successor, Perry S. Bower, vice-president and treasurer, Great-West Life.

Should Find Ways To Own More Common Stocks, Actuaries Are Told

With so many signs pointing toward continued long-term inflation, it is highly desirable that the life insurance business seek new ways of investing in equities—and in fact there are good reasons for doing this even though it is not assumed that inflation will continue indefinitely.

Fergus McDiarmid

This view was expressed by Fergus J. McDiarmid, investment vice-president of Lincoln National Life, in a paper presented at the recent meeting in Cincinnati of Society of Actuaries.

If modern governments lack either the will or the ability to maintain the value of their money, and people and institutions desire to hedge against this in their investment and pension programs, it is something which the life insurance business can not very well ignore, insofar as its technical operation and investment policy are concerned, said Mr. McDiarmid.

Lists Inflation Factors

After listing the strongest inflationary factors, Mr. McDiarmid discussed the dilemma that faces the life insurance business and then gave some ideas on new investment media and made some suggested technical changes that would enable life companies to invest more generally in equities.

The inflationary factors he listed as follows:

1. The armament race, accelerated by the advent of ballistic missiles, will necessitate increasing government spending, all of it inflationary.

2. The strength and militancy of labor unions have led to a wage-price spiral in which wage increases tend to outrun increases in productivity. In the last two years in the United States and probably in Canada also there has been little increase in real productivity per hour of work. Under these conditions, price increases inevitably follow wage increases.

3. Economic pressure groups, such as farmers, are an inflationary force tending to increase both prices and government spending. Other pressure groups oppose the use of such fiscal weapons as higher interest rates as a means of combating inflation. "We have recently seen how promptly such weapons are sheathed at the slightest sign of deflation and before any drop in the cost of living has been experienced," he said.

4. Formerly the gold standard tended to deflate prices back into line if they rose unduly. The process was usually accompanied by some unemployment and economic discomfort. "Today currencies are exclusively the creatures of governments and very little subject to automatic discipline from outside.

"It is only to state an unpleasant fact that there is an increasing belief that further inflation, if not inevitable, is at least a strong possibility," said Mr. McDiarmid. "There is a widespread feeling that further loss in money value is a very strong possibility and, in the opinion of many students of the subject, a probability."

Difficult, Cruel Dilemma

Mr. McDiarmid said that this faces the life insurance business with "a difficult and cruel dilemma." To adjust operations to the assumption of continued inflation indefinitely into the future on a substantial scale would be difficult if not impossible and would also be construed as a defeatist attitude. On the other, to make no adjustments in that technical operation in the light of events might also seem like a defeatist attitude in itself.

"In following such a negative course, the life insurance industry runs the risk of withdrawing in large measure from some of the most important functions in our society which it has heretofore helped perform to a very important extent, namely the encouragement of savings and the mobilization of capital," he said.

Accompanying his paper was a chart which showed among other data, that in the 10 years ending with 1956, life and endowment insurance, representing the plans which produce substantial reserve and asset accumulations, declined from 79% of total insurance in force to 56%, while term

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Pritchard Urges All-Out Crusade Against Inflation

An all-out crusade against the forc of inflation was urged by Preside Oren D. Pritchard of National Assn. of Life Underwriters in his talk at the "Tom Grant breakfast" during the annual meeting of American Life Convention at Chicago.

O. D. Pritchard

Traditionally, the newly elected president of NALU is the speaker at these breakfasts, originated by the la W.T. Grant, founder of Business Men Assurance, and continued by the com pany since his death.

Mr. Pritchard said that every majo thrift institution in the United State should be enlisted in a great nationa crusade to make the people understan that inflation, "fanned by financiall irresponsible federal policies and ben efit philosophies, will ultimately brin only tragedy to all who depend upo the soundness of our currency.

"Business men, large or small, mus be made to realize that unrestraine inflation inevitably results in a highe cost of doing business and thereb weakens the earning power of an business enterprise," he said. "Withou adequate earning power, the capacit for paying dividends or interest van ishes, with all that this means t investment values.

"Round after round of increases i wages and salaries for all those o government payrolls can only lead t round after round of increases i corporate and private payrolls and al leading to increases in the necessitie of life.

"And then follows another round o social security increases, with th

(CONTINUED ON PAGE 26)

Help Blues Get Rate Increases: Faulkner

Insurance companies should help the Blue Cross and Blue Shield plans in their efforts to get an adequate premium for their services, President E. J. Faulkner of Woodmen Accident & Life and chairman-elect of Health Insurance Council, told members of International Claim Assn. at the annual meeting at French Lick, Ind.

"It is undoubtedly true," he said, "that in the past there have been serious misunderstandings between the insurance companies and the service type insurers. I am convinced that many service plan managers have felt that it was the purpose of the insurance companies to preempt the field; and we, in turn, have seriously questioned the desire of service plans to become 'the chosen instrument' for the financing of health care costs.

Can't Afford Failures

"The seriousness of the issue between those who believe in compulsory government programs and those who believe in the voluntary way no longer permits these misunderstandings among important segments of the voluntary health insurance structure. Private enterprise cannot afford the failure of the service type insurer nor can it afford a situation in which their survival depends upon government subsidy.

"Business statesmanship requires that while we continue to compete keenly and cleanly that we support the service plans in their endeavor to secure an adequate premium for their insurance; that we work cooperatively with them to restrain rising health care costs; and, through the process of persuasion and education, we help them to an understanding of such important insurance fundamentals as coinsurance, the deductible and merit rating."

Addresses Southwest Actuaries

Richard B. Johnson, head of the economic department of Southern Methodist University, was principal speaker at the annual meting of Actuaries Club of the Southwest at Dallas.

Rufus E. Fort Jr. (right), National Life & Accident, retiring chairman of ALC Combination Companies Section, congratulates the new chairman, Glen J. Spahn, Metropolitan.

Agents Help Manager To Recruit More Men

The Agency Section of American Life Convention, at its annual meeting in Chicago, heard Robert M. Best, manager of Business Men's Assurance at Columbus, O., tell how he uses agents to help in recruiting additional agents, much like an "endless chain."

"We use the aptitude test, and, assuming it is favorable and assuming a good inspection report, it is then up to me," Mr. Best said. During his recruiting interviews he asks himself these questions:

1. Do I really like this man?
2. Will the other salesmen like him?
3. Will the people he is calling on like him?
4. Can I motivate him?
5. Does he have a reasonable financial budget?
6. Who is he going to sell?

Training Is Difficult

Mr. Best said that training in his jurisdiction is difficult because most of his new men are not in his branch office city. He uses three kinds of training: self study, where the man completes the series of correspondence courses made available by the company; group study consisting of newman schools, sales meetings, conferences with the supervisors or managers and LUTC and CLU classes; and third and most important, joint field work.

Mr. Best defined a good supervisor

(CONTINUED ON PAGE 26)

300 To Represent Life Companies At Medical Meeting

Association of Life Insurance Med ical Directors of America will hold it 67th annual meeting at the Hote Statler in Hartford, Oct. 22-24, an 300 physicians representing life com panies in the U. S. and Canada ar scheduled to attend.

The program will consist largely o scientific reports by widely know medical authorities in their fields. Th speakers will include Col. John P Stapp, chief of the U. S. air forc aero medical laboratory; Dr. Franc J. Braceland, psychiatrist-in-chief o the Institute of Living, and Gunna Gunderson, president of America Medical Assn.

Other speakers will be Dr. Richar H. Chamberlain, professor of radiolo gy, graduate school of medicine of th University of Pennsylvania; Gerald S Parker, secretary of A&S of Guardia Life; Dr. Raymond Jonnard, assistan laboratory director of Prudential; Dr William B. Schwartz, professor o medicine of Tufts college school o medicine, and Dr. Theodore L. Badge assistant clinical professor of medicin at Harvard medical school.

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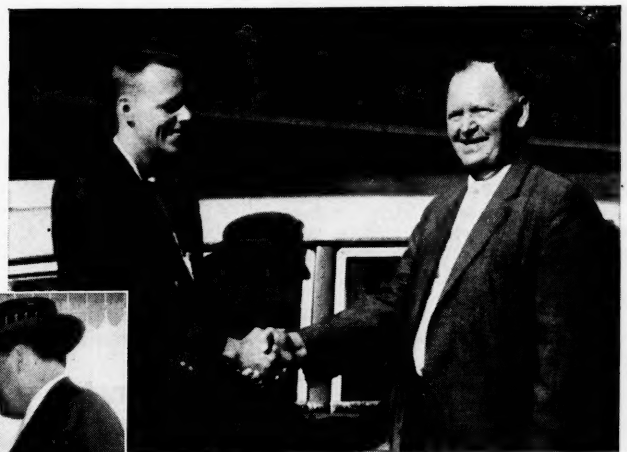


To serve clients scattered throughout Kentucky, Virgil Steed has registered 68,000 miles on his Rambler within two years. Here he discusses a new policy with John W. Wilhelmi, Jr., popular Louisville Rambler dealer.

Greeting Virgil Steed is Albert G. Clay, descendant of Henry Clay and president of the Burley Auction Warehouse Association, which protects its personnel with $4,000,000 of Union Central Group Insurance.

HE'S A GOOD MAN TO KNOW

Sooner or later, anyone who lives in Kentucky is destined to meet Virgil S. Steed — a man who travels 34,000 miles a year along roads which ramble through 68 counties where he is known as *Mr. Life Insurance.* His affection for the Bluegrass state and its people is reflected in one of the most colorful, diversified backgrounds of any professional life underwriter.

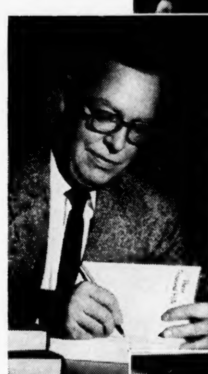
For 15 years, he managed three large farms. He has a personal awareness of the difficulties which confront rural communities as well as the satisfaction a farmer feels when he sells his patiently nurtured crop. Drawing on earlier experience as a publisher's representative, he has revealed this understanding in *Kentucky Tobacco Patch,* an authentic account of farm life which has earned its place on the shelves of schools and libraries throughout America.

He is also at home in medical circles. First, because he administers an extensive insurance program for the Kentucky Academy of General Practice. Secondly, because he assisted in organizing the Rural Kentucky Medical Scholarship Fund which sponsors students who agree to practice in rural areas.

His impressive accomplishments in the life insurance profession date back to 1948 when he joined the Louisville Agency of The Union Central. Rigid standards have earned him the National Quality Award on eight consecutive occasions; and the confidence of his clients have earned him membership in his Company's celebrated $500,000 Club during each of the past seven years.

Hundreds of Kentuckians will tell you that Virgil Steed is a good man to know.

Virgil Steed is a frequent guest at the home of friend and client, Dr. Daryl P. Harvey, president-elect of the Kentucky Academy of General Practice. Once field secretary, Mr. Steed is now the Academy's Group Insurance counselor.



One of Virgil Steed's earliest clients was Pulitzer Prize winner, A. B. Guthrie, Jr., who won the award for his novel, "The Way West." A former city editor of "The Lexington Leader," he is now a prominent writer of motion pictures.

Virgil Steed is an active and dedicated supporter of the Rural Kentucky Medical Scholarship Fund. Here he discusses the Fund with Dr. C. C. Howard, the president of the Board of Trustees since 1946.

THE UNION CENTRAL LIFE INSURANCE COMPANY • CINCINNATI

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Get Facts Before Blasting Doctor For Seeming Overcharge

Claims executives were urged by Dr. Louis M. Orr, president-elect of American Medical Assn., addressing the annual meeting of International Claim Assn. at French Lick, Ind., to make sure there is a valid grievance before letting off a blast at a doctor for what may seem like an overcharge.

Dr. Orr also urged his listeners not to make blanket condemnations of the medical profession because a small number of doctors behave unethically in this respect.

"If you feel you have a well founded grievance, my suggestion would be to discuss it with the medical society in the area involved," he said. "The reason I say 'well founded' grievance is that many situations seem, on the surface, to be irregular and the basis for a grievance. Further investigation, however, indicates there was no irregularity. If a fee is questioned, that too may seem more reasonable when all the facts are in."

Jack D. McSpadden (right), Liberty National Life, retiring chairman of the agency section, and his successor, A. E. Wall, Confederation Life, at the ALC convention.

Dr. Orr said the medical director of an insurance company is in a position to play a key role in reducing misunderstandings which involve insurance and medicine because he can appraise a given situation as a physician and secondly he can be the company's best liaison in discussing problems with physicians, whether on a direct basis or through the medium of a committee, if that is desired.

"There is no doubt in my mind that if voluntary health insurance is going to continue to work properly and satisfactorily for patients, we in the medical profession and you in the health insurance industry must act like the partners we are in this field," he said. "It is possible that in all too many instances in the past we have waited until there was a problem or a misunderstanding before getting together.

"If we continue contacts such as this, and perhaps on a more frequent basis, it will provide a better climate for meeting problems head-on and coming up with equitable solutions more promptly. Over the years, I've gained the impression that each problem solved makes it easier to cope with the next one."

No Starry Eyes On Multiple Line Panel Of ALC Agency Men

A panel on multiple-line operation brought out various points of view at the Agency Section meeting of American Life Convention at Chicago. Richard B. Evans, president of Colonial Life, which is affiliated with Federal of New Jersey, said he believes that the present agency system will remain the core of life insurance merchandising. He said it is significant that the companies going into multiple-line have been expanding their corps of agents as well as brokers. Finally, he said the supply of all insurance needs from a single source should not be considered a serious threat to the agency system.

Robert B. Hamor, vice-president of Continental Assurance said that 90% of his company's business is coming from general lines producers. He said the life-only agents placing surplus business have discovered that the companies not licensed in New York pay higher commissions and "they don't have much time for us."

Calls Gains Illusory

Mr. Hamor said most of the gains that a fire or casualty company expects to have by buying or forming a life insurance affiliate are an illusion. He said a life company will get business from competent insurance men in proportion to the ability of the business-getting staff and the fact of affiliation is minor. He said his company had been distributing life insurance through property insurance channels for years and that as for recent statements to the effect that the public is pleading for unified service, "not in our 45 years have we detected this tremendous ground swell."

Large Staff Is Bulwark

He cited the record of the combination companies introducing ordinary business and added that the evidence leads him to believe that the bulwark of the life insurance business is a large staff of trained personal producers.

A. W. Tompkins, agency vice-president of State Farm Life, said there is no magic in multiple-line until a company has career agents. He said a company cannot expect much life business from a casualty agent but can get a good deal of casualty business from a life man.

MDRT Will Meet In Hawaii In 1960; Dates Are May 22-2

The 1960 annual meeting of the M lion Dollar Round Table will be h at the Hawai Village hotel Honolulu, May 27, according Robert S. Albr ton, who, if normal success is followed, will chairman of Round Table 1960. Mr. Albr ton, who is vi chairman-elect the 1959 Rou Table, is an age of Provident Mutual at Los Angeles.

Robert S. Albritton

The place and dates are being a nounced now because of the unusu locale of the meeting and so as to avo possible conflicts with company mee ings and other events which might pr vent members from attending t MDRT meeting. Present members a their companies are being sent speci announcements of the 1960 dates a place. The members of the Round Tab were polled earlier this year to dete mine their preferences about meeti sites and of the 1,400 who replied, mo than 75% were in favor of scheduli and attending a meeting in Hawaii.

The 1960 meeting will not be t first time the Million Dollar Roun Table has met outside of continent United States. The 1958 meeting wa at Banff Springs in Canada, the 19 meeting was a cruise convention t Bermuda, and the 1930 meeting was Toronto. It is anticipated that speci steamship and airline travel plans wi be arranged for members by t Round Table headquarters.

The Round Table will continue observe its strict meeting regulatio which specify that only members m be registered or in attendance at t meeting hotel between the openi and closing of the meeting. Howeve since many members will want to accompanied by their families, spec arrangements are being planned f the accomodation of families at t Royal Hawaiian hotel in Honolu during the time of the Round Tab meeting.

"Green Mountain Legacy," a 2 minute color film that will dramati the contribution made by Vermont a its citizens to the nation is being spo sored by **National Life of Vermont.**

G. WILLIAM CORFIELD

A career without a ceiling

August 29, 1958

Mr. Donald N. Adamson, Manager
The Franklin Life Insurance Company
385 East Green Street, Suite 305
Pasadena, California

Dear Don:

It was no easy decision for me to resign from a position which had paid me a substantial annual salary over several years and to enter into an entirely new field. Like most people I wanted security, but I finally made a decision that I did not want to settle for security alone. I came to the conclusion that the type of security I really wanted for myself and my family, was an opportunity for a career that placed no ceiling or limitations on my income. This thought motivated my association with The Franklin Life Insurance Company as a member of your agency.

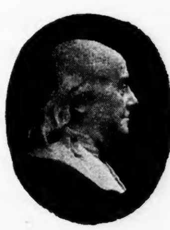
After looking around and interviewing a number of well-known insurance companies, my decision to cast my lot with you and The Franklin Life was due almost entirely to the salability of our exclusive merchandise which puts us pretty much beyond the range of competition and enables us to serve the public in a unique manner.

Each year with Franklin Life, my income has progressed steadily upwards. During the first eight months of 1958, I have delivered 174 new contracts. My first year commissions alone have exceeded $12,000 for the year to date. I fully anticipate that my first year income, exclusive of renewal commissions, will exceed $18,000 at year-end.

In closing I wish to express my appreciation for the valued cooperation received from you, Mr. George A. Landis, our State Manager, and his staff, and our Home Office.

Sincerely yours,
G. William Corfield

An agent cannot long travel at a faster gait than the company he represents!



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Over Three Billion Dollars of Insurance in Force

Insurers, Not Agent Or Insured, Push For Complete Multiple Lines

By HOWARD J. BURRIDGE

Much has been said and written in recent months about companies going completely multiple line; fire companies establishing life affiliates and life companies buying fire and casualty companies. There is a marked and unmistakable trend in this direction, and there should be no doubt that it will continue.

But so much of what has been said about it is entirely beside the point, which is that this is a movement initiated and carried forward by the companies themselves. Neither local agents nor the public have had anything to do with it, in spite of what might have been said to the contrary. Local agents already have adequate facilities for all forms of coverage that they write. No demand for multiple line facilities in one company or one company group is being made by them.

Sometimes a multiple line company is a convenience and a help and is an arrangement that is liked by the agent, but on the other hand there are thousands and thousands of agents who have no completely multiple line company in their offices who are doing very well in the handling of their business by representing separate fire, casualty, life and A&S companies.

Public Deals With Agent

Multiple line writing is not being called for by either the agent or the public. If left to them, it would be a dead issue. In both property and personal insurance, the public deals with the agent, not the company. Only in rare cases is the company a factor. Price is sometimes of importance, but when that question has been settled, the average buyer of any form of insurance accepts the policy that the agent provides.

Basically the rush on the part of companies to establish multiple line facilities is the result of the overwhelmingly unfavorable loss experience that the fire and casualty companies have sustained during the last three years, and which is continuing at a high level so far in 1958. All property writing companies have been impressed with such seasoned multiple line operators as Travelers, Aetna Life and Continental Casualty. They have observed that these and other multiple line companies of smaller size have lost money on their fire and casualty business during the same years that they have been registering a comfortable profit on life insurance. Functioning as multiple line insurers, they have been able to benefit from an all inclusive underwriting program.

Six Out Of Twelve

It is interesting to observe that among the first 12 companies in the fire and casualty field writing the largest property business, six—Travelers, Aetna Life, State Farm, Continental Casualty, North America, and Allstate—are multiple line companies. In addition, Home recently entered the life field through the purchase of Peoples Life of Indiana, and Hartford Fire will shortly conclude negotiations for the purchase of Columbian National Life. Of the first 12, only America Fore Loyalty, Liberty Mutual, U.S.F.&G., and Royal-Globe do not function in the life field. A number of other property companies, high on the list for property premiums, already are in the life field. They are the Kemper group, St. Paul F.&M., Farmers of Los Angeles, Employers group, Trans-America and General of Seattle. They recently have entered the life field. Thus the record is that most of the larger, more prominent and aggressive companies are adding life affiliates. With the passing of time they are certain to become of increasing importance in the production of life business.

The entrance of the property companies into the life field is a logical move. These companies have thousands of agents who have represented them over the country for long periods of time. Their state and special agents maintain a close working relationship with them. It is reasonable to suppose that these large agency plants will gradually begin to write their life business in the life affiliates of fire-casualty companies they have represented so satisfactorily for so many years. This is not likely to occur immediately. But with the passing of time the volume from them will be impressive and, of course, all newly appointed agents will be indoctrinated with the idea of writing "across the board" for a multiple line company, even though its life company has been acquired only recently.

Ready Made Organization

In other words, the property company has a ready made agency organization. It is not confronted with the very high cost of starting from scratch to build an agency staff. This is a formidable hurdle it is not obliged to encounter. Further, it can make appointments through its established state and special agents, which is an additional and important saving. It can be certain of making a profit through its life company, in this way tending to reduce the total loss from property operations which may continue to be high for the next few years.

Companies which have been smarting under the burden of excessive fire and casualty losses find themselves turning with relief and enthusiasm to the writing of a form of insurance that is just about certain to produce a steady, satisfying net gain from operations, year after year. Many property companies feel that an investment in a life affiliate is, for all the reasons discussed, the wisest way in which to invest a part or even a relatively large portion of their surplus funds.

On the other hand, it is not so easy to understand why life companies have turned, in several cases, to the purchase of fire or casualty affiliates. Here the picture is exactly reversed. These companies, without property insurance experience, have entered a field which in the last few years has been productive of the highest loss ratios on record. On the present basis, it offers attractions that are exceedingly doubtful, at least in the immediate future. The only understandable reason is that the life company buying a property affiliate will by this process obtain a large seasoned agency plant that would be very costly for a life company, writing life alone, to establish.

Laws Apt To Be Changed

With the trend toward multiple line, it may be possible that in some states the laws may be changed so as to permit one insurer to write all forms of coverage. For example, Ins. Co. of Oregon has no affiliates and is on a multiple line basis. Permission to operate in a similar way might be granted in other states within the next few years.

The most unjustifiably restrictive law on the books is the one in New

(CONTINUED ON PAGE 26)

Moving Day For NALU Headquarters Is Set For End Of The Month

National Assn. of Life Underwriters will move its headquarters on Oct. 31 to 608 13th street, N. W., about two blocks east of the White House. In announcing the move, Lester O. Schriver, NALU managing director, said that the association's monthly magazine Life Association News and General Agents & Managers Conference of NALU also will be housed in the new headquarters.

The move will put the association nearer to the center of the Washington business district, the Capitol, Congressional office buildings and many government administrative agencies.

Mr. Schriver said, "We probably shall stay at the 13th street address two years, during which time we have reason to hope that NALU will build or buy a new permanent headquarters office building."

Houston Insurance Club Elects

Arthur W. Lowery, Republic National Life, Houston, has been elected president of Houston Insurance Club, succeeding Earl W. Gammage, Pan-American F.&C.

New Sales Tools Are Featured At Two New England Life Meetings

New streamlined sales tools and briefings on company policy were the features of New England Life's two regional meetings of top agents. Members of the field force from the east and northeast, their families and home office executives met at the Chalfonte-Haddon Hall in Atlantic City and the meeting of midwestern field men was held at the Grand Hotel, Mackinac Island, Mich.

Two other regional meetings are scheduled for this month. Agents from western states will meet at the Hotel Del Coronado, Coronado, Cal., Oct. 14-18, and southern representatives will get together at the Grand Hotel, Point Clear, Ala., Oct. 22-26.

During the business sessions at Atlantic City and Mackinac Island, the new sales tools, developed by Lambert M. Huppeler, vice-president, and field tested by teams from four agencies, were introduced by Mr. Huppeler and Homer C. Chaney, 2nd vice-president. The new methods which were used exclusively in the field test by 57 agents produced $5,651,000 of new life insurance in an eight-week period.

Industry Should Toot Own Horn About Litigation Scarcity

The life insurance business should emphasize more to the public that it is one of the businesses least involved in litigation in the United States, Arthur C. Rooney, senior vice-president and general counsel of North American Life of Chicago, said at the annual meeting of American Life Convention's Legal Section in Chicago.

Mr. Rooney pointed out that in 1940 death and disability benefits paid to policyholders amounted to less than $1.1 billion. Last year they added up to more than $2.8 billion. As for litigation, back in 1927 there were 394 cases litigated in the federal and state courts of appeal, with 179 decisions favorable to companies as against 215 unfavorable. Last year there were only 112 cases, with 61 favorable and 51 unfavorable.

"During this period of tremendous growth, there are today less than one-third of the number of life cases litigated than 30 years ago, and the trend has consistently been in the direction of cases favorable to the company rather than unfavorable, and for the past five years has averaged 57%," Mr. Rooney said.

Flexibility, Not Rigidity

In evaluating the course to follow in a particular case, Mr. Rooney advised a policy of flexibility rather than rigidity. Consider the problem in the light of public relations, the possible harm done to the company or agent in a particular community, the real equities inherent in the case, the opportunity for a good settlement, the expenses and fees to be incurred and finally, the chances of winning a law suit.

"I believe a law suit should not be tried unless the odds are distinctly in favor of obtaining a directed verdict, or a judgment notwithstanding the verdict either in the trial or appellate court on the ground that the jury's verdict is against the manifest weight of the evidence," he said.

"In this connection I believe the opinion of the local counsel who will try the case is of great importance. The experienced trial lawyer on the ground is generally more familiar with the pitfalls that may be encountered and the vagaries of local courts, both trial and appellate, than most of us home office counsel."

New York City Agents To Honor Managing Director Jack R. Manning At Dinner

Jack R. Manning, managing director of New York City Life Underwriters Assn., will be honored at a reception and dinner at the Waldorf Astoria hotel on Oct. 30. The dinner is being given on the occasion of his 10th anniversary with the association.

The affair is being sponsored privately by a committee consisting of Arthur L. Sullivan, Fidelity Mutual Life; Charles Anchell, New York Life; Stanley R. Wayne, Mutual Benefit Life, and the 10 past presidents of the association with whom Mr. Manning has been associated.

Employers Ins. Co. of Ala., and **Employers Life** have moved to their new office building on U. S. Highway 31 south at Hoover, Ala.

Specific Traits Mark Companies Interested In Good Persistency

The quality business committee of LIAMA has found that a company actively interested in conservation has well-defined characteristics, according to John B. Pryde, director of agencies of Imperial Life of Canada.

Speaking before the Agency Section of American Life Convention at the annual meeting in Chicago, Mr. Pryde listed these traits as:

1. Encouragement of better persistency through payment of conservation bonuses.

2. Following through on an individual basis the records of men, of branches and of the company on a monthly, quarterly and yearly basis.

3. Paying special attention to new men. Initial training includes special attention to conservation to help form good habits of underwriting in the field.

Studying Their Own Lapses

4. Insisting on the individual men studying their own lapses in conjunction with the manager during the first couple of years, and reporting the findings and action taken to home office.

5. Discussion in meetings and at training schools and through publications how to write persistent business and why it pays off.

6. Use of some sort of persistency chart, perhaps an adaption of the LIAMA persistency rater. For example, Mr. Pryde said, in the case of his own company, it uses one which has been evolved as a result of analyses made of company business. This brought up to date from time to time. Every case is rated when it is sent in by the agent. Initially the chart was introduced to be used only with those men who had a poor record, but this was found to be a negative approach. The quality rating chart is now something that everyone completes with every application that is sent to the home office. The agent is encouraged to think in terms of quality business and to take pride in sending in cases which appear to have a better-than-average chance of staying on the books.

Some companies emphasize the importance to everyone of premiums and commissions with very little mention of volume. In their company clubs and convention qualifications the basis is earnings and the figures are adjusted up or down by conservation credits or charges based on the experience of the business of the agent involved.

Condemnation Actions Due To Road Building Boom Demand Precautions

The enormous road-building program contemplated by the federal aid highway acts of 1956 and 1958, which involve construction of 41,000 miles of highways over a 13-year period, is certain to have a substantial effect on the growing real estate investments of life companies, the ALC Legal Section was told at its annual meeting in Chicago.

More Property Acquired

There will be a similar effect during the same period, as federal, state and local authorities acquire more and more private property for public purposes, such as post offices, schools, hospitals, dams, utilities, airports, parking lots and housing.

In making these statements about eminent domain and life company investments, Churchill Rodgers, general counsel of Metropolitan Life, said that the desirability of contracting parties considering, and including in the purchase contract, provisions governing possible condemnation is apparent.

Normally, a life company desires the option to rescind the contract and recover its deposits and all expenses in the event of condemnation proceedings, whether they are begun before or after the contract signing, and regardless of whether the condemner has acquired title by the closing date. As seller, the life company normally seeks a firm contract wherein the purchaser assumes all risk of condemnation.

State Laws Help

In acquisitions for urban redevelopment, the life company may contract to purchase property for a condemning authority for housing construction under a state redevelopment law. Such laws, directed at the cure of urban blight, authorize governmental use of the power of eminent domain to acquire properties to be conveyed to the private developer. The

(CONTINUED ON PAGE 27)

Security Mutual Of New York Releases New Life Plan Series

Security Mutual of New York has released a new series of life plans which involve more than 40 different forms of life coverage, including life, endowment, retirement income, term, term riders, family income riders, family plan dependent riders, juvenile policies and pension trust plans.

A feature of the new series, known as the "1600 series," is quantity allowance or graded premium which provides for reductions as the policy size increases. The series also provides reduced rates on a three year setback from attained age on all plans for female lives, including pension trust plans.

In the settlement option area the series permits corporate use of settlement options; application of surrender proceeds at any time; allows a beneficiary up to one year to choose the desired option with no loss of interest, and provides for an increase from 2¼% to 2½% on the guaranteed interest rate.

Home Office Changes

Southland Life

Two assistant vice-presidents have been named: George T. Hemmingson Jr. and John E. Owens. Mr. Hemmingson, securities department manager, joined Southland in 1952; Mr. Owens, urban loans manager, had much diversified business experience before going with Southland in 1951.

Six officers have been named: Robert W. Blevins and J. Joseph Canty became senior underwriters. Robert L. Dunn, Sam V. Griggs and M. H. Josephson are assistant secretaries and Jay T. Ward is assistant treasurer.

Mr. Blevins joined Southland in 1953, and Mr. Canty in 1948. Mr. Dunn began with the company as clerk, became an agent at Dallas in 1947, then served as home office supervisor, agency manager, field assistant and field supervisor since 1954.

Mr. Griggs, who began with the company in 1931, at Richmond, has been a manager in Washington, D. C., for several years. Mr. Josephson entered the A&S department in 1953, and is currently a supervisor there. Mr. Ward joined Southland in 1948 and has been assistant comptroller since 1955.

Lincoln National Life

William A. Drew has been named assistant actuary. He joined Lincol National six years ago and becam actuarial assistant a year later.

Life Of North America

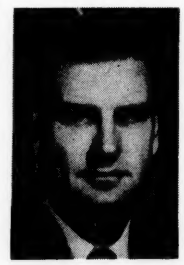
Robert L. Pope and G. Erne Thomas have been appointed assista superintendents of agencies. Mr. Pop


G. Ernest Thomas


Robert L. Pope

former manager at Cincinnati, entere the life business in 1951. Mr. Thoma manager at New Orleans since 195 has had five years' experience in per sonal production and field manage ment.

Illinois Mutual L.&C.


L. K. Maupin

Leslie K. Mau pin has bee named vice-pres dent and agenc director. Mr. Mau pin will direct th sales activities o the company an work with th agency force in th 14 states in whic Illinois Mutual op erates. He has bee in the insuranc business for 1 years, most recently being supervis of agencies for Standard Life of Jack son, Miss.

Robert J. Greely has been appointe field supervisor in eastern Ohio. H has had a number of years' insuranc experience in the field.

W. O. W., Omaha

Robert L. Kirk, Omaha, has been appointed national treasurer of Woodmen of the World of Omaha. Mr. Kirk, who has been a director and auditor for two years, replaces John B. Cobb who died last month. He joined the fraternal on full-time basis as assistant general attorney in 1953.


Robert L. Kirk

Republic National Life


John D. Thomas

John D. Thom has been appoin ed vice-preside He was nam personnel direct in June, and w previously in t reinsurance div sion as special re resentative.

GULF LIFE has named Loper Lowry, former general agent at Tam pa, as vice-president and assistant the president.

LC Adopts Income Tax Resolution

(CONTINUED FROM PAGE 1)

criminatory tax preference to tain large mutuals, this question ains to be answered: Are stock panies being taxed adequately in tion to profits? This is cold reality congressional thinking and we must it. I believe an investment income properly drawn will meet the uirements of the situation.

For more than 30 years the life rance industry has held firmly to investment income theory of taxa- n and I can see nothing but danger ad if we abandon it. Never forget gospel: Participating premiums are income; they are contributions of ital by members of a joint enter- se. I cannot support legislation ich imposes an income tax on capi- and that is exactly what these total ome bills do. That way lies certain aster.

pported By Studies

"All of these months of study and earch and labor have but demon- ated more clearly that investment ome is the correct basis for taxa- n."

Mr. Lloyd pooh-poohed the conten- n that the total income method has had sufficient study by the joint committee of ALC, Life Insurance sn. of America, and Life Insurers nference.

"This you can put down as fact," he d. "The tax committee has not rt-changed the total income method time spent in study or in any other pect of proper consideration. The tention that it has done so is an warranted criticism of the majority the committee, a criticism which, lf, is feeding the fires of suspicion disunity. The committee, after nths of full consideration, made its ision and it should be commended, criticized, for doing its duty."

ther Gossip's Twins

Mr. Lloyd took a crack at what he med "that other illegitimate twin Mother Gossip, the fallacy that the vernment will settle for less in taxes m the life insurance business than has been getting, that the Treasury Congress are interested in estab- ing a philosophy of permanent al income taxation and are not cerned with sordid dollars."

"Do you know that there are people our industry gullible enough to ieve that?" he asked. "But don't believe it. The truth is that the vernment believes that the life urance business is not paying ugh in taxes and our industry's bill is going up, and going up stically, just as surely as Congress ets next January. The important ng is to see that when the next tax l is written, every company pays ording to its proper income, that company pays less than it should no company pays more than it uld."

Another fallacy that is being ban- d about, said Mr. Lloyd, is that ause the Treasury wants total ome the industry has to accept al income.

"Laws are written by Congress, not executive branch," Mr. Lloyd minded his audience. "I do not ieve Congress will pass a tax law ich grants discriminatory tax relief a small segment of our industry ich happens to include the biggest payers.

"One of the grave dangers of sub- ibing to the total income fallacy is t once its unsound principles are embraced, the cause of right thinking and proper taxation is lost. Then, total income will be seen as the Franken- stein monster it really is. But it will be too late."

Analyzes HR 13707

Mr. Lloyd undertook to analyze the effects of HR 13707, which embodies the proposal of the 26 mutual insurers, on the incidence of taxes on various companies. His figures, based on 1957 operations, showed that for 12 large mutuals, which he did not identify by name, the total income tax was $182,168,000 under the present (Mills) law. Under the 1942 law, which would automatically go into effect if no other legislation is enacted next year, their total tax would have been $267,198,000. Under HR 13707 it would have been $155,848,000, while under the "floor" provision of HR 13707 it would have been $129,404,000. The total tax paid by all companies in 1957 under the Mills law was $290 million, while under the 1942 law it would have been $420 million.

Mr. Lloyd pointed out that the 12 mutuals paid 62.8% of all the taxes paid by life companies under the Mills law in 1957. If they had been operating under HR 13707 their aggregate reduction would have been $26,320,000 and they would have paid only 42.26% of the aggregate.

Taking corresponding figures for six stock companies, Mr. Loyd said their 1957 actual tax was $19,448,000. Under the 1942 law, their 1957 tax total would have been $26,669,000, while under HR 13707 the total would have been $31,423,000.

"So, you see," he said, "the 12 mutuals would have paid substantially less under HR 13707 than under the Mills law, but the six stock companies would have paid $11,975,000 more under the proposed total income bill than under the Mills law and $4,754,000 more than under the 1942 act. And that same stiff and discriminatory medicine applies to the small stocks as well as to the big ones.

"I submit to you that the American Life Convention dare not go to the Congress of the United States in support of a bill which produces such indefensible results. And these figures, mind you, do not represent the reductions which could be maneuvered legitimately under all of the avenues of maneuverability available under the total income method.

Dividends Up, Taxes Down

"For example, here is the item of dividends to policyholders. How can it affect taxes? To return to the figures, the company labeled Mutual F in the printed copy of this speech would have paid more under HR 13707 than it paid under the Mills bill. That company's

National Employee Benefit Services Names Marsh V-P

Herbert B. Marsh, formerly John Hancock general agent at Fresno and associate general agent at San Francisco, has been named vice-president of National Employee Benefit Services.

Mr. Marsh was northwest group manager for John Hancock, and has had much experience in group and pension sales in the western states.

dividends in 1957 were 66.7% of its net gain. The others listed in the printed copies paid out a higher percentage, from 73.6% to 89.8%. All that Mutual F has to do to cut its taxes is to increase its dividends.

"This would produce an unconscionable and intolerable situation which can not only deprive the government of taxes but can upset completely, unfairly, and with dire results the competitive situation in the entire life insurance industry."

Mr. Lloyd declared that his company's competition—and that of every other company—is not primarily with stock companies but with the other mutual companies.

Dividend Scales Crucial

"Our problem," he said, "is meeting their estimated dividend scales. To the extent that these are determined by mortality costs and expenses of operation, we ask no quarter. However, a tax discrimination in what we have always said was the true income of a mutual company, to wit, the profits earned and distributed from the investment of policyholders' funds, is a horse of an entirely different color. This is particularly true when the distribution of such investment profits, which are taxed on a discriminatory basis, accounts for more than two-thirds of the dividends paid by most of our big mutual competitors.

"If mutual companies can deduct the dividends paid to their policyholders—and total income provides for this—they can use government tax dollars to sweeten the dividend. Every dividend dollar will represent 52 c of money which otherwise would h been paid in taxes to the fed government. Forty-eight cents wil money not payable as taxes."

Quotes Subcommittee Report

Mr. Lloyd suggested that the ad cates of total income read the foll ing passage in the 1955 report of ways and means subcommittee on company taxation: "Suggestions h been made for formulas which wo limit the deduction of policy divide to some amount claimed to be dis butions of mortality gains (price justments) as distinct from ex interest earned by the company."

"Even if Congress should blithely over the facts of life consider the mirage of total inco this element of excess interest mutual dividends can hardly esc taxation," said Mr. Lloyd.

The speaker said that line 33 page 4 of the annual statement been called by the Treasury "starting point" for measuring the earnings of life companies. This is line showing the net gain from ope tions after dividends to policyhold

Still The Focal Point

"Information coming to me ab the conferences last week with Treasury is to the effect that this still the focal point of Treasury thi ing," said Mr. Lloyd.

With legislation along these li "a life insurance company with a or 10% surplus over reserve inte requirements of 2.5% could run dividends up to a point where its ta would be *de minimis*," he said. W does this mean competitively to company writing participating insurance which faces daily the nec sity of building surplus and of meet reserve interest requirements wh are higher than 2.5%? Such a co pany cannot meet competitively dividends which would be paid by large, rich companies under t income."

Cites Big Variance

Mr. Lloyd said a study of 1 operations of six of the largest mu als showed that some of them had much as 45% of their investm earnings free of taxes to distribute dividends to policyholders. In same year there were also compa which had nothing from investm income to distribute to policyhold

"This matter of the destruc power of competitive dividends inherent in the total income sys and if such a system is adopted th could be many, many good life ins ance companies dividended out of business. And if there were no ot reason for the big mutuals to opp total income than the dire possibili of destructive competition in d

New Air Trip Rules In Va

State corporation commission of V ginia has approved new regulati on air trip insurance sold thro vending machines and on life poli containing coupon benefits. The air trip cover rules require that ve ing machines be kept in order that each machine be supervised an individual agent to protect public and to make sure that po provisions are clear to the purcha

Regulations on coupon bearing policies were designed to prevent m leading statements which would buyers to believe that they were m ing deposits in savings accounts purchasing a bond or similar inv ment.

ds, that, in my opinion would be ontrolling factor.

For with total income taxation, y are walking right straight down road to monopoly. Many, many npanies may wither and die in the uing struggle. In proposing total ome taxation, the advocates may nk they are only sowing the wind tax relief, but I warn them that y can well reap the whirlwind of i-trust investigation. I plead with m not to release the explosive ments of a dividend war with its astrous possibilities to our business. The total income proposal means reductions to some companies; it ans tax increases to others; but it ses basic questions of survival for a third group and this is by far largest group of companies in this untry."

counts Visit To Treasury

Mr. Lloyd said that during the evious week a subcommittee of the nt tax committee had visited with easury and ways-means technicians d all the reports are that the techni- ans' position is that they are for the al income method of taxation until can be proved that it will not work. xpressing great confidence in Treas- y Secretary Anderson, Chairman lls of ways and means, and Chair- an Byrd of the Senate finance mmittee, Mr. Lloyd said: "They have right to expect the American Life onvention to give them the facts—all e facts—about total income and out investment income, and if we e them the entire story of both proaches, I have no doubt of the tcome."

Turning to what he called the gim- cks in the total income bills, Mr. Lloyd said that those who conferred with the Treasury and ways-means technicians in Washington found that "these gimmicks which make the total income bills so attractive to their sponsors already are eliminated in government thinking. Without these special deductions, total income would be as unpalatable to the mutuals which now seek them as they are to the rest of us."

Condemns 'Floor' Feature

Mr. Lloyd was outspoken in his condemnation of the "floor" provision in HR 13707, which he said makes all companies pay some taxes regardless of the results of their operations.

"It is a basic principle of income taxation that if an enterprise develops taxable net income—which is another way of saying if it makes money—it pays taxes," he said. "If it doesn't, it pays no taxes.

"That principle is fundamental. It seems unthinkable to levy an income tax on an enterprise which had no taxable income. Yet the floor would do exactly that. Passing over the impracticality of such a method of taxation, I pose this question: If the total income method is a proper way to tax a life insurance company, why the floor?

Would Prevent Failure

"By way of answer, I am told there are two functions of the 'floor.' One is to exact taxes of certain companies which are wholly in the term and group fields and do not generate much in the way of investment income. The second is that because of the effect of policyholder dividends, under total income, a company might avoid pay- ing any taxes at all or pay such ridiculously low taxes that the govern- ment would abandon the system. Ergo, we must have a floor to prevent total income from being the failure that everyone knows it will be."

Mr. Lloyd said that as to the first point, he would agree that life com- panies strictly in the group and term business should be taxed on some

LOMA Institute Teachers Take Part In Seminar

Eighteen instructors of LOMA in- stitute study classes, representing 12 U. S. life companies and three Cana- dian, attended a three-day seminar at LOMA headquarters in New York. In- cluded in the program were demon- stration sessions and an evaluation of the seminar by the 18 instructors.

James H. Kohlerman, educational, director of the institute, and R. W. Lederer, associate educational direc- tor, conducted the seminar which covered subjects allied with the ef- ficient teaching of courses held each year in the U. S., Canada and a num- ber of foreign countries under the sponsorship of the institute.

other basis than total income or investment income, perhaps on a net profit figure based on underwriting and operating experience. As for the floor, so that mutual companies won't "dividend themselves clear out of the tax picture," Mr. Lloyd reiterated his statement that the 12 big mutuals which paid 62.8% of the total life company taxes in 1957 would, under HR 13707 pay 42.46% less than under the Mills act—"and a watered-down Mills bill is the floor!"

"I am quite sure," he said, "that the United States government will not buy that fancy package of merchandise and I am equally sure that if the American Life Convention asks the government to buy it, the convention will stultify itself and will dishonor the cause that it has up to now so properly represented before Congress.

"These proposed total income bills contain certain shiny, glittering, and illusory pretties which may have a false appeal to small companies and those which do not have large surpluses, but they are not likely to get through the congressional colander; they already have been challenged at the Treasury and by the technicians. These devices are apt to be deceptive, but we should all understand that the chance of their being left in the bills is nil.

Some Might Accept It

"I suppose there is some danger, however, that a few companies might fall for them. But let me point out to you that when you flirt with total income because she is dressed up in these alluring clothes, you may win the girl but when you get her out in the light, you will find that you h bought 52% of line 33 of page 4 of annual statement blank. And there stand, face to face with ruin."

As to what ALC should do, Lloyd said:

"Today, unity is threatened beca unfortunately the Temporary Mu Tax Committee has gone its way. while its members are large comp ies, they represent, at most, but small number out of more than thousand life insurance companies wish they would join us; I urge th to do so. But if they will not, we can form a phalanx in defense of ri principles for our business and our millions of policyholders.

Still Time To Act

"Today, the entire industry is loo ing to us for leadership. We yet ha time to present convincing truth Congress and to win some measure justice in the solution of this vexatio problem. I believe this conventi should adopt a strong and clear- resolution urging the executive bra of government to advocate and legislative branch to enact some fo of taxation upon the investment come method.

"I believe that the resolution shou also urge the Mills subcommittee scrutinize these total income propos so carefully and so completely that their very thoroughness they will the utter impracticability of th adoption and the viciousness of th effect upon the industry.

"I believe that we should not ta a position for any specific investme income bill yet proposed but shou raise our standard upon the princi so long, so ably, and so prope demonstrated, that investment inco is the only right way to tax a insurance company and put our committee to the task of developing investment income bill which will le taxes adequately, simply, and just

"Our fellow organizations, the L Insurers Conference and the Natio

Farm & Home To Hold Open Ho

Farm & Home Ins. Co. of India polis will hold an open house Chicago Oct. 31 to mark the re opening of its new executive off at 7 South Dearborn street there. Olsen, vice-president, and Louis Wayne, director of agencies, head office, and Philip Meade, presid will also establish an office at Chicago location.

Assn. of Life Companies already are in the field in defense of the principles which they and we believe. Let it never be said that the valiant American Life Convention was afraid to fight for a righteous cause or that it would traffic in appeasement.

"I am not afraid of the outcome. I am only afraid of delay, of vacillation or surrender to the total income siren song. If we have the courage to carry our cause to every member of Congress intelligently, forthrightly and aggressively we will win a proper permanent solution to this vexing and difficult problem."

LOUIS DAWSON

President Louis W. Dawson of Mutual of New York stated the position of the Temporary Committee on the Taxation of Mutual Life Insurance Companies. Discussing the committee's public education campaign, he said the main aim is not to explain the technicalities of life insurance taxation but rather to get over to the general public and to the entire Congress, a few simple ideas that will counteract the "very prevalent view that mutual life insurance companies are now undertaxed." A public survey of this question clearly showed that where people have any opinion on the matter at all, they generally feel that the life insurance business is "getting away with murder" on federal taxes, he said.

"We are asking Congress to do something that is very unpopular politically—even dangerous from their standpoint—namely to reduce or not to increase the taxes paid by companies that are regarded by the public as 'big business' and already undertaxed," said Mr. Dawson. "It is very unlikely that practical politicians will take any such action unless there is public enthusiasm for it. That meant something must be done to educate the public on the reasonableness of such action. We must provide Congress with a better climate of public opinion than they now have, as a background for the action we are requesting.

Not Stressing Differences

"In conducting our educational campaign, we have no intention of stressing the difference between the mutual and stock companies. Our objective is to make the public and last analysis, the burden of federal income taxes in a mutual life insurance company falls solely on policyholders.

"The campaign will also point out some of the serious inequities that exist, such as the double load of federal and state taxes; the unfairness of measuring the policyholders' tax at a corporate rate; the way in which the tax burden on policyholders has been increasing out of all proportion to the growth of the business, and the fact that income from life insurance funds is now more heavily taxed than income from any other form of thrift or savings.

Sees Good Over-All Result

"We must necessarily talk in terms of mutual companies, but we believe the net result of such discussion and enlightenment may be to restrain any undue increase in taxation that might otherwise adversely affect both mutual and stock companies alike . . .

"We recognize that HR 13707 is not a perfect bill; but what tax bill ever met the criterion? If anyone yet comes forward with a more acceptable bill I am sure our group would lend their cooperation and support. The present bill, however, is one which, in its general aspects, appears reasonable and workable under present conditions; and it would end the perennial uncertainty about taxes that has been a bugaboo for our entire business in the past.

Would Cause Adjustments

"Inevitably, it would cause some adjustment of taxes in individual companies. Almost any new bill would do that. The adjustments, however, do not seem unacceptable to the great majority of mutual companies that have applied it to their operations.

"We seek support of the bill from all companies—stocks as well as mutuals—that believe it offers the most acceptable tax we can hope to obtain for the life insurance business."

FRAZAR B. WILDE

Frazar B. Wilde, president of Connecticut General Life and of Life Insurance Assn. of America, said the lack of a plan of taxation having the backing of the overwhelming majority of the industry is "serious but not necessarily fatal." He took an optimistic view, saying the statement adopted by the joint tax committee (reported in last week's issue) is "an excellent augury."

Mr. Wilde remarked that the public relations of the life insurance industry in other areas has made "marvelous progress" but not in connection with

Long Island Casualty Files Stock Offering

Long Island Casualty has filed a statement with Securities & Exchange commission seeking registration of 100,000 shares of $2.50 par capital stock which it proposes to offer at $6 a share to holders of the outstanding 55,975 shares. Proceeds of the offering would enable the company, which has been writing A&S business in New York state since May, to expand operations.

The offering will not be underwritten, but the company may pay commissions up to 45 cents a share to broker-dealer firms assisting in the sale. Franklin D. Roosevelt Jr. is chairman, and Bertram Harnett is president of the company.

federal income taxation of life companies. He opined that it was because of the huge aggregations of assets, and it is in the American tradition that such aggregations are suspect. The assets are counterbalanced largely by liabilities, but too many members of the public and Congress don't seem to realize this.

He said it was the opinion of the LIA board, which recently adopted a resolution favoring the exploration of various taxation approaches, that the joint tax committee should explore, analyze and study to the end that a decision could be reached by the industry based as little as possible on emotion and as much as possible on facts and evidence.

RICHARD EVANS

Richard B. Evans, president of Colonial Life and of Life Insurers Conference, restated the position of the LIC, which was expressed in a recently adopted resolution to oppose anything but the investment income basis for taxing life companies. He pointed out that Life Insurers Conference is made up of 91 combination companies and constitutes a large majority of all combination life companies.

J. J. O'CONNELL JR.

J. J. O'Connell Jr., Washington counsel for National Assn. of Life Companies, said his organization is emphatically in favor of the investment income approach. He declared that it is "politically naive" to believe that Congress will enact any measure that would not produce as much income tax as the present law.

Advocating the same basis as is used in the present law, Mr. O'Connell said that although it had been termed "stop-gap" it was actually drawn as permanent legislation and was enacted for only a single year solely because the Treasury thought it could come up with something better if given more time.

NALU Social Security Slide Kit Is Revised

"Can We Have Sound Social Security?"—a 26-minute slide presentation produced by National Assn. of Life Underwriters, is being revised to include information on the recently enacted social security amendments.

Lester O. Schriver, NALU managing director, said the revised narrative is being recorded on tape. Approximately 500 associations and individuals now owning the slide presentation kit are being asked by NALU to withhold further showings until revisions are completed, which should be about Dec. 1.

Current owners of the slide kit will be given complete substitute scripts and slides for those that are outdated as a result of changes in the law. There will be no charge for the revised material.

Also, owners of the present tape-recorded versions of the narrative will receive substitute tapes without charge if they send their present tapes to NALU headquarters, 60 13th street, N. W., Washington, D. C. New tapes will be available at cost to others.

Manhattan Life Has Record Summer Sales Campaign

Manhattan Life's annual Fordyce summer campaign in June, July and August broke all existing records for the sales event. During the campaign, which honors J. P. Fordyce, chairman, the field force paid for a total of $62,245,321, a 20% gain over last year's figure. Of the total sales, $41,001,437 was ordinary life and $21,243,884 was group life.

In June ordinary sales of $14,882,405 established a monthly sales record, and showed a gain of 56% over the same month last year.

Sioux City GAMA Enlists 100% Of Membership In GA

Sioux City General Agents & Managers Assn. has become the 135th local association to have 100% membership in General Agents & Managers Conference of National Assn. of Life Underwriters.

According to Leonard T. Smith, membership chairman of the conference and manager of Prudential at Providence, 91% of all local and state management association now collect GAMC dues automatically with local association dues and have 100% membership in GAMC.

Changes In The Field

Paul Revere Life

Wm. M. Boulware

William M. Boulware has been named general agent for Paul Revere Life and Massachusetts Protective Association. He joined the companies at Louisville in 1951 and five years later became agency supervisor. In 1957 he was appointed regional training supervisor for the southern region.

Pacific Mutual Life

Mark B. Conolly has become agency manager at Columbus, O. He formerly was district manager in the Cleveland-Youngstown area.

E. Douglas Cochran is the new manager at Richmond for Pacific Mutual. He was formerly assistant manager for a life company at Memphis.

Berkshire Life

Patrick E. Higgins

Patrick E. Higgins has been named general agent at Louisville. He entered the life field in 1953 with New York Life at Chicago where he was later appointed assistant manager. He joined Berkshire Life early this year and was assigned to the home office to assist in agent recruiting and training.

Malcolm S. Kieborn and Wayne Roberts have been appointed supervisors at New York.

Mutual Benefit Life

Joseph T. Carberry has been appointed group manager of the New England district with headquarters at Boston. He began his career in the group field in 1951 with New York Life at the home office and four years later was named manager at Newark. In 1956 he joined R. P. Burroughs, Inc., group consultants, first at New York and more recently at Boston.

General American Life

Vernon L. Woodrum

Vernon L. Woodrum has been appointed head of a new general agency in Akron. He has been district manager for the company since 1956 in Akron, associated with J. William Van Horn agency of Cleveland.

Thomas A. Repp has been named agency organizer in the St. Louis agencies. He succeeds Roland H. Lefebure, now associate general agent for the company in Cedar Rapids, Ia.

Home Life

The New York-Pratt agency, headed by Clifford O. Pratt, has shifted its center of operations from White Plains to New York City. The agency will continue to maintain branch offices at White Plains and Westport, Conn. Mr. Pratt joined Home Life at New York in 1947 and became educational director in 1948. In 1951, he was named assistant manager of agencies at the home office and manager at White Plains a year later.

American Life Of New York

Albert A. Boklan

The Boklan agency at New York, headed by Albert A. Boklan, has been appointed the first general agency of American Life of New York, an affiliate of American Surety. The agency has a large brokerage following and maintains a branch office at Newark.

William P. Grant, Lawrence Johnson and George Richwine have been named superintendents at Detroit, Minneapolis and Indianapolis, respectively.

Connecticut General

Russel E. Larkin, manager of the 41st street and the Broadway agencies at New York, is retiring to devote himself full time to personal production. Patrick T. Cahill succeeds Mr. Larkin at the 41st street agency and George H. Greason becomes manager of the Broadway agency.

Mr. Larkin joined the home office staff in 1921 and four years later was named assistant superintendent of

agencies. In 1937 he was appointed manager at New York. Mr. Cahill, who has been assistant manager of the 41st street agency, joined the company at New York in 1945. He is a CLU. Mr. Greason, former manager of the brokerage department of the Broadway agency, has been with the company since 1941.

All American L.&C.

Henry F. Hine

Henry F. Hine has been named agency manager in Denver. Mr. Hine has had 27 years of insurance experience. Additionally, he is on the staff of instructors for American College in Denver and has specialized in insurance and pension problems for military career personnel.

Mutual Trust Life

William C. Babecki is new general agent at Chicago. He was brokerage supervisor for Mutual of New York before going with Mutual Trust, and began his career as agent of Ohio National.

Arthur L. Davis becomes general agent at Waterloo, Ia., where he has been a special agent of Occidental of California for the past five years.

State Mutual Life

J. Edward Amirault

J. Edward Amirault has been named manager at Providence. He entered the life business in 1954, and has had supervisory responsibility since 1957.

Prudential

Orville B. Spencer has been named manager at Columbus to succeed John J. Krejci, who has retired. Mr. Spencer has been manager at Lorain, Ohio.

Convention Dates

Oct. 22-24, Life Advertisers Assn., annual meeting, Queen Elizabeth hotel, Montreal.

Oct. 23-25, Midwest Management Conference, French Lick, Ind.

Oct. 27-29, Health Insurance Assn., individual insurance forum, Drake hotel, Chicago

Nov. 6-7, New York State Assn. of Life Underwriters, fall delegate meeting, St. Moritz hotel, Lake Placid, N. Y.

Nov. 10-13, Life Insurance Agency Management Assn., annual, Edgewater Beach hotel, Chicago.

Nov. 19-21, Institute of Home Office Underwriters, Hollywood Beach hotel, Hollywood Beach, Fla.

Nov. 20, Insurance Federation of New York, annual, Waldorf-Astoria, New York City.

Dec. 8-9, Assn. of Life Insurance Counsel, winter meeting, Plaza hotel, New York.

Dec. 9, Institute of Life Insurance, annual, Waldorf-Astoria hotel, New York City.

Dec. 10-11, Life Insurance Assn. of America, annual, Waldorf-Astoria hotel, New York.

Dec. 15-19, National Assn. of Insurance Commissioners, midwinter, Roosevelt hotel, New Orleans.

Dec. 28-29, American Assn. of University Teachers of Insurance, annual, LaSalle Hotel, Chicago.

Feb. 20-21, New York State Assn. of Life Underwriters, general agents and managers meeting, Gideon Putnam hotel, Saratoga, N. Y.

Ways Should Be Found To Own More Common Stocks, McDiarmid Tells Actuaries

(CONTINUED FROM PAGE 2)

insurance, including group, increased from 20% to 43%. Reduced to dollars of constant purchasing, the growth in life and endowment insurance over this period was 25%, a growth which did little more than keep pace with the growth in the population in this period, said Mr. McDiarmid. On the same basis, term and group insurance increased 276%.

Inflation Fears A Cause?

"To what extent this swing toward term insurance has been due to inflation fears and to what extent it has been due to other factors such as the growth of pension plans and other types of social security is difficult to say," Mr. McDiarmid said. "In any event, it has had its effect on the asset growth of life insurance companies. The annual growth of these assets increased at an irregular rate to reach a peak in the year 1954 of $5,946,000,000. Thereafter it declined each year through 1957 when the growth was $5.3 billion, a drop of 11% from 1954. In view of the rising trend of dollar incomes and savings of individuals over this period, it seems that life insurance has tended to become a less favored medium for the accumulation of savings than formerly."

Pension Funds Buy Stocks

Mr. McDiarmid pointed out also that uninsured corporate pension funds in this country have become heavy purchasers of common stocks and, on a relative basis, these stocks are the most rapidly growing part of their assets. These funds had 24.7% of assets in common stocks at the end of 1957 as against 1.3% for life companies.

"The ultimate justification for investing life insurance reserves largely in contractual obligations payable in a fixed number of currency units must lie in one of two assumptions," said Mr. McDiarmid. "Either the currency unit is expected to fairly well maintain its value over extended periods of years, or the fixed rate of return received is designed to contain an element to offset the declining real value of the principal. To rely on the latter premise might prove unsatisfactory since it requires an advance judgment of the rate of expected inflation and it might require the imposition of interest rates which would appear usurious.

Search Is Warranted

"Therefore, if in the future money does not promise to serve as a reasonably satisfactory unit of long-term account—there is no such thing as a perfect one—we are at least encouraged to search for more satisfactory repositories of value than contractual investments payable in money. To accomplish this is not likely to be an easy task, and it is not to be expected that it can be accomplished to perfection. However, because a task cannot be performed perfectly is not a good reason for failing to attempt it at all."

Mr. McDiarmid said that real estate, if it is to serve as a substitute for

Check Processing Speeded By Massachusetts Mutual's New Punch-Card System

A new punch-card system for preparing, issuing and auditing an estimated 40,000 monthly income checks for life insurance beneficiaries, annuitants and retired group insurance members or their beneficiaries has been installed by Massachusetts Mutual.

Unlimited Mechanical Capacity

The company said the new system has practically unlimited mechanical capacity and is geared to absorb increasing business with a minimum of additional manpower. It will also enable the company to improve internal efficiency of its operations and give more economical service to an estimated 60,000 recipients of income checks who receive them on a monthly, quarterly, semi-annual or annual basis.

Another anticipated improvement will be the complete preparation of annual income tax information for policyholders by machine processes.

Manufacturers Life To Raise Dividend Scale

Manufacturers Life will increase its scale of dividends to policyholders, effective Jan. 1, 1959. This will be the fifth consecutive year that dividend rates have been raised.

Also scheduled is a ¼% increase in interest rates to be paid on dividends on deposit and on policy proceeds left with the company under settlement options subject to surplus interests. The new rate of interest will be 3½%.

contractual money investments, could not be subject to long-term lease rental payments in fixed amounts of dollars, but should have rentals geared to the earning power of the property or else subject to frequent adjustment. This leaves equity investments as "probably the best large-scale medium available" as a hedge against inflation even though not a perfect hedge.

Common stocks might be introduced into life insurance by companies continuing to sell policies on the same fixed dollar basis as in the past and at the same time adding substantially to their common stock holdings. This would involve changes in state investment laws and also some "smoothing" formula for valuing common stocks. Fortunately, he said, a valuable precedent was recently set in such a formula for preferred stocks.

"Such a suggestion seems no more radical than the long-accepted practice of valuing bonds in good standing at amortized values even though these values may for long periods differ widely from market values," he said. "Many bonds purchased during the low-interest period of the 1940s and early 1950s have for extended periods since that time been selling much below their amortized values, sometimes as much as 20% below."

Far-Reaching Suggestions

As a more far-reaching suggestion which would involve some basic technical changes in the nature of the life insurance business, Mr. McDiarmid offered the following:

"Certain new types of policies might be issued involving both guaranteed fixed-dollar benefits and also benefits which would depend upon the results obtained from equity investments," he said. "Take a 20-year endowment policy. This can be broken down into a 20-year term policy and a 20-year pure endowment policy. The 20-year term part could have its reserves set up in the traditional way and invested entirely, or very largely, in fixed-dollar media so that the full face amount of the policy could be guaranteed in the event death occurred prior to maturity.

"The pure endowment reserve, however, might be invested all or in substantial part in equities, such equity investments to consist of participating shares in the company's entire common stock portfolio. While the amount payable at maturity would be a variable number of dollars depending upon the behavior of the common stock account, it would seem that the company could without much risk guarantee some minimum amount depending upon the proportion of the pure endowment reserve invested in equities.

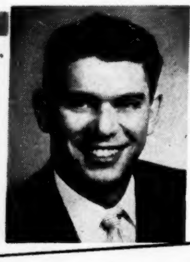
"If this reserve were to be invested entirely in equities, such minimum guarantee might run as high as 80% of the face amount of the policy without much risk to the company, while a partial investment of the reserve in equities would permit a higher percentage guarantee.

"A new type of 20-payment life plan might also be devised along somewhat similar lines. The premiums and reserves would be broken down into those applying to a 20-year term policy and to a life policy deferred for 20 years. The 20-year term reserve would be invested in fixed-dollar media to provide for the payment of the face amount of the policy if death should occur in the first 20 years.

Deferred Life Reserve

"The deferred life reserve could be invested entirely or in substantial part in equities which again might take the form of participating shares in the company's common stock account. The amount payable after 20 years would be greater or less than the face amount of the policy, depending upon whether the reserve accumulated in such participating shares was worth more or less than the conventional reserve. Here again some substantial minimum guarantees might be made without material risk to the company. At the end of the 20-year period the insured might use the then current value of the reserve to purchase paid-up insurance of a fixed-dollar type, if economic conditions at that time seemed to make this a desirable move.

"There seems to be no good reason why the same line of thought could not be carried into ordinary life policies. Part of the premium would be used for the first 20 years to purchase



a fixed dollar 20-year term policy. The remainder would be invested in equity shares to go toward the building up of a deferred life reserve at the end of 20 years, to which the premiums collected after 20 years would continue to contribute. The amount payable after 20 years would be a variable amount depending on the dollar value of the equity shares in the reserve.

Reason For 20-Year Basis

"The reason for selecting 20 years as the initial term in all of these cases is because experience has shown, that except in the most unusual circumstances, a reserve intelligently invested in equities over such a long period will tend to represent a larger dollar accumulation at the end of the period than a fixed-dollar reserve. For shorter periods one cannot feel so confident of this. For those insured who cared less for a fixed guaranteed amount for a long period of years and who were prepared to more fully and immediately trust themselves to an equity position, a shorter initial period of fixed term insurance might be in order."

Mr. McDiarmid took issue with the often expressed fear that there is such a small volume of blue chip stocks that if life companies were to concentrate on these stocks the market price would go up so much that they would no longer be attractive. He said that there are actually many stocks in which a life company might invest under proper conditions. In the electric utility field there are about 130 companies of some stature, of which at least 105 have annual revenues exceeding $10 million. Moreover, stocks of some of the smaller companies have been better buys than stocks of the larger utilities.

All Are Just Media

"One should not lose sight of the fact that bonds, preferred stocks, and common stocks are simply media through which savings flow into investment," he said. "The supply of no class of such media is fixed in relation to the others. Bonds are issued only because there are people who will buy them. If bonds and preferred stocks could not be sold readily, or if they could not be sold other than on a very high yield basis, then more common stocks would be issued and the supply of these increased."

Mr. McDiarmid did not minimize the problems for a life company investing in common stocks, as compared with fixed dollar investments.

"It is probably a fact that the intelligent handling of common stocks and other types of equities requires a higher and somewhat different type of investment skill than that required in the purchase of fixed-dollar media," he said. "This skill, which is a purely relative thing, will be compounded of knowledge, judgment, and a healthy amount of suspicion. It will include a blending of daring with caution, along with much patience and a basic humility. It is no field for a perennial optimist or a promoter.

An Hour-To-Hour Problem

"The handling of a common stock portfolio is a day-to-day and hour-to-hour proposition. Therefore, a good deal of responsibility as to the selection and buying of an individual stock must be placed in the working invest-

ment staff. Until this staff has been built up to a level where it has the confidence of the management, the carrying out of any common stock program will be difficult. It is different from the case of bonds where individual purchases may be authorized at periodic meetings of a finance committee and comparatively little discretion left to the investment staff."

Mr. McDiarmid said that probably the greatest safety factor a life company can find in investing in common stocks is the element of diversification, that is, diversification among industries and also among companies within an industry. This doesn't mean that all industries, no matter how unpromising or regardless of the price of their shares, should be represented. It does mean, he said, that enthusiasm for any one industry or company should be kept within bounds to the point so a disproportionate amount is not represented by it.

Included among the other papers presented were the following technical discussions: "The Preparation of Interim Accounting Statements Using Electronic Data Processing Equipment," by John T. Birkenshaw, assistant actuary Confederation Life, and J. Craig Davidson, executive secretary of Confederation; "Extended Term Insurance Consistent with Fully Paid Insurance Calculated on a Different Basis," by Elgin G. Fassel, senior actuary Northwestern Mutual Life; "Actuarial Note: Cash Values and Reduced Paid-up Insurance," by Thomas J. Hummel, assistant actuary and John A. Stedman, assistant mathematician of Union Central Life; "Derivation of Premium Rates for Renewable Term Insurance," by Henry S. Huntington, assistant actuary John Hancock; "Actuarial Note: Lidstone's Formula for the Present Value of the Profits of a Policy," by Arthur Pedoe, retired Canadian manager of Prudential of England; "Some Considerations in Determining Incurred Claims in the Computation of Dividends Under Group Accident and Health Insurance," by Bertram N. Pike, assistant group actuary John Hancock and "Some Considerations Involved in the Analysis of Major Medical Expense Insurance Experience," by Charles A. Siegfried, 2nd vice-president Metropolitan Life.

Lists Items In Detail

The last-named was a detailed review of the items that need consideration in any statistical analysis of major medical experience. Mr. Siegfried paid special attention to such problems as those encountered in studying surgical fees, the incidence and duration of hospital confinement, and classifications by causes of illness.

In the paper on accounting statements by Messrs. Birkenshaw and Davidson, the conclusion was stated that "with the advent of electronic systems and careful planning of the over-all approach, it is now quite feasible to have as accurate accounting statements at interim periods as at the end of the year."

In discussing Mr. McDiarmid's paper, D. N. Warters, president Bankers of Iowa, stated his belief that an investment in common stocks would not provide protection against inflation. He recommended that rather than putting faith in hedges which cannot protect in the long run against inflation, "we put all our power behind re-establishing a sound and stable currency, the only real solution to the problem."

E. A. Green, John Hancock, ascribed the trend toward term insurance to factors other than a fear of inflation, especially the growth of group term insurance as a companion to pension plans. R. C. Morrow, National Life of Vermont, described his company's policy under which the term insurance portion may be varied in amount each year, subject to underwriting requirements.

Inflation, whether major or creeping, is not inevitable, J. B. Crimmins, Metropolitan Life, stated. Pointing out the loss of confidence in life insurance that would follow a market crash if common stocks were heavily invested in, he called for the continued sale of guaranteed security and a full scale fight on inflation. That the best interests of existing as well as future policyholders are served by monetary stabilization was also stressed by J. C. Maynard, Canada Life. He said that such stability can be maintained "if we have the will to do so."

Discusses Miller Paper

Mr. Miller's paper was discussed by D. W. Pettengill, Aetna Life, who drew special attention to the 1957 relative value surgical schedule recommended in Mr. Miller's paper. A. G. Weaver, John Hancock, also felt that a new surgical schedule should be adopted by all the group companies, and R. J. Mellman, Prudential, suggested some improvements in the surgical schedule to make it easier to administer. H. J. Stark, remarked that Metropolitan had introduced a surgical schedule for its employe plan in 1928 before the initiation of the first Blue Shield plan. William Cunningham, Pacific Mutual, recommended the use of the California relative value schedule instead of Mr. Miller's, since the California schedule had been prepared by the medical profession.

In opening the discussion of Mr. Siegfried's paper, R. H. Hoffman, Equitable Society, gave an analysis of the experience of his company with a similar comprehensive major medical plan issued to one of their large policyholders. D. W. Pettingill, Aetna Life, stated that the lack of consistency in premium rates among companies indicated the lack of accurate cost statistics. He hoped that Mr. Siegfried's paper would encourage the collection of such statistics.

To Gather Major Medical Data

S. W. Gingery, Prudential, outlined the plans of a committee of the society to gather and publish statistical data for major medical insurance. C. H. Wain, Prudential, urged the use of frequent supplementary analysis that are less rigorous, but that can ap-

proximate results rapidly and economically. This information can indicate the need for an urgent over-all rate adjustment before a more comprehensive study could be analyzed. J. A. Attwood, of E. S. Hewitt & Associates, pointed out that the objective of a group policyholder in analyzing his claims would usually be quite different from the objectives of an insurance company.

E. A. Green, John Hancock, was chairman of the session devoted to a discussion of employe benefit plans. Miss J. W. Beers, Occidental of California, R. G. Pearson, Massachusetts Mutual, B. N. Pike, John Hancock, G. N. Watson, Crown Life, R. J. Mellman, Prudential, and H. J. Stark, Metropolitan Life, discussed their companies' underwriting and dividend practices for group plans which provide relatively large amounts of insurance for individual lives. All stressed the importance of limiting higher amounts of insurance to the same percentage of earnings as for lower income employes. Several companies require medical examinations or health statements, or more restrictive actively at-work provisions. All of the speakers reported that their companies use some form of pooling of claim experience on excess amounts.

Give Contradictory Views

Miss Beers reported that mortality experience on excess amounts of insurance is worse than normal group experience, and Mr. Pike stated that mortality was over 150% of normal for cases with a large volume of excess amounts. However, Mr. Mellman reported that Prudential's experience on excess amounts is better than normal.

In discussing the underwriting of small groups, Mr. Watson emphasized the importance of careful review of all available information on employes in the top amount class. Miss Beers reported that mortality experience for small groups is about 120% of normal group experience, but D. M. Irwin, Aetna Life, reported that an extensive analysis of experience showed no variation by size of group.

In discussing the underwriting of professional association groups, Mr. Pearson and J. W. Moran, New York Life, stressed the use of schedules of insurance with amounts decreasing by age. Mr. Moran cited a large association case on which actual claims were 75% of normal at ages below 47 and 150% of normal above that age.

Effect Of Labor Dickering

Relative to the market for new group life insurance, C. A. Siegfried, Metropolitan Life, noted that the tremendous growth in sales in recent years was due in large part to the importance of group insurance in labor negotiations. He deplored the transfer of coverage to obtain more favorable and often inadequate rates for medical expense coverage.

G. W. Pickering, Home Life of New York, noted increased interest of professional association and municipal and state employes in group life insurance. He emphasized the importance of good service in keeping schedules of benefit up to date to avoid transfer.

A. G. Weaver. John Hancock, reported that the medical profession generally likes major medical insurance because of the broad coverage and the absence of features which might disrupt the doctor-patient relationship. However, some doctors feel that major medical may jeopardize Blue Cross-Blue Shield programs and others feel that it will not be successful.

Administration Costs

Mr. Weaver and W. W. Keffer Connecticut General, pointed out that the provisions of major medical contracts relating to "necessary and reasonable charges" impose an increased burden on claim administrators. S. W. Gingery, Prudential, reported use of a new provision to recognize as "customary" only those charges that would be made in the absence of insurance. Mr. Keffer recommended the development of regional "relative value" fee schedules. Mr. Gingery discussed the administration of non-duplication benefits and the need to establish priorities for payment of claims where there is multiple coverage.

Mr. Weaver and M. D. Miller, Equitable Society, commented on the important work of Health Insurance

Council in improving communications and liaison between the insurance industry and the medical professions and hospitals.

In the discussion of major medical premium rate making, W. A. Milliman of Milliman & Robertson, pointed out that companies may have relied too heavily on the right to change rates annually in developing premium rates. C. H. Wain, Prudential, stated that the larger liabilities in major medical coverage impose greater responsibilities on the actuary. H. J. Saffeir, Travelers, described a method of developing basic cost factors from which rates for various types of plans may be derived.

Long Term Disability Data

L. C. Cocheu, Continental Assurance, R. D. Albright, Provident Life & Accident, H. F. Harrigan, Metropolitan Life, and R. M. Duncan, Teachers Insurance, discussed the activities of their companies in the group long-term disability field. To date, the interest in such coverage is principally for high-salaried employes, but a gradual spread of interest to encompass employes at all levels is anticipated.

The policy provisions used include a strict definition of disability and restrictions on the amount and duration of benefits; practices on integration with social security and other coverages are not uniform. Premium rates are on a one-year renewable term basis and vary according to age and sex, with each company using several sources of experience data for their derivation.

Pension Research Council

Dr. D. M. McGill of University of Pennsylvania described some of the projects to be undertaken by task forces of the Pension Research Council. Dr. C. H. Fischer, University of Michigan, outlined some of the problems which his task force would have to face. D. C. Bronson, the Wyatt Co., discussed some additional thoughts concerning actuarial soundness which he did not cover in his recent book on this subject. G. N. Calvert, Alexander & Alexander, pointed out that there are no new actuarial problems in a variable annuity plan of the equity unit type.

S. J. Kingston, National Life of Vermont, suggested using the term probability in defining actuarial soundness. William Lumsden of Seefurth-McGiveran gave some examples of problems which have arisen in trusteed plans that were not actuarially sound. J. L. Clare of UAW-CIO said that his union was quite convinced of the necessity of a plan's being actuarially sound. W. C. Prouty, Aetna Life, feels that present legislation gives sufficient protection for pension plans guaranteed by an insurance company. G. A. Cooke, Canada Life, explained the Canadian income tax act provisions in connection with pension fund contributions. J. K. Dyer, Towers, Perrin, Forster & Crosby, described the characteristic differences between insured and uninsured pension plans. J. A. Hamilton, the Wyatt Co., discussed the three types of pension plans which gear the pension benefit to the purchasing power of the dollar.

J. R. Williams, Lincoln National, set out the long term group objectives of his company. R. J. Learson, Mutual of New York, suggested that a company planning to enter the group insurance field should not waste time on elaborate actuarial analysis of surplus margins but should study the results of those companies that have entered this field since World War II.

No Change In Male Mortality

The session on individual ordinary life insurance was conducted by L. M. Dorn, New York Life. E. A. Lew, Metropolitan Life, reported little improvement in male mortality and saw little chance for future substantial improvement. F. E. Rooke, Canada Life, presented the results of a Canadian mortality investigation which indicated continuing improvement in mortality except at younger ages. A. C. Webster, Mutual of New York, questioned whether companies are maintaining selection standards in the light of the relatively smaller mortality improvements being reported.

A. T. Bunyan, Phoenix Mutual, reported over half of their paid business on policies with high early cash values. He indicated that first year lapse rates were running at double normal rates, and this result was confirmed by E. A. Dougherty, Union Central. Although N. L. Campbell, National Life of Vermont, reported great popularity for high early cash value policies, W. J. November, Equitable Society, indicated a relatively poor reception of a recently introduced plan.

C. M. Sternhell, New York Life, J. R. Hanson, Massachusetts Mutual, and W. K. Nicol, Commonwealth, all reported great popularity with agents and policyholders for pre-authorized bank check plans, along with excellent acceptance by banks.

W. A. Merriam, Metropolitan Life, and R. P. Walker, Wisconsin National, stated that banks were requiring

special wording in indemnification agreements and felt that a standard agreement was desirable. W. A. Merriam, Metropolitan Life, remarked that over 35% of their ordinary business was being issued with monthly premium payments.

Paul Rotter, Mutual Benefit Life stated that they had a substantial increase in their average size of policy after the introduction of premiums graded by size. S. P. Adams, Lincoln National, reported a gradual decrease in sales per agent along with an over-all increase in the volume of production per agent.

Speaking on increased limits for double indemnity, J. R. McDonnell, New York Life, said that his company's decision to increase limits arose from consideration of their favorable experience in this field. W. J. November, Equitable Society, cautioned that the recent intercompany study of double indemnity showed decidedly higher mortality ratios for policies of large amounts.

Problems With Large Amounts

A. P. Morton, Prudential, discussed underwriting problems associated with large amounts of double indemnity coverage. W. A. Merriam, Metropolitan Life, commented on his company's decision to increase limits of double indemnity. A. C. Webster, Mutual of New York, observed that the cost of providing benefits for larger amounts could well be influenced by legal advice and court rulings.

On the subject of underwriting military aviation risks, R. E. Moyer, John Hancock, stated that the releases of the society's aviation committee have influenced decisions to consider more seriously the type of plane flown. F. H. David, Prudential, presented an analysis of the reasons which have influenced companies to place less stress on total flying experience of military pilots. E. A. Lew, Metropolitan Life, said that the increasing complexity of military planes is leading to the growth of classes of pilot specialists who fly only one type of craft. F. G. Whitbread, Lincoln National, gave the reasons why his company has generally avoided the introduction of plane type consideration in underwriting military risks. E. H. Sweetser, New York Life, described a study which led his company to adopt a plan under which fighter pilots under age 30 are charged higher premiums than similar pilots flying in other types.

Occupational Underwriting

Commenting on developments in the field of occupational underwriting, K.M. Davis, Equitable Society, stated that his company has recently lowered extra charges for certain occupations for which the extra mortality rates were low or for which extra charges should be made on the basis of medical aspects. W. A. Merriam reported that Metropolitan will now accept as standard certain better classes of risks which heretofore would have been accepted only with an occupational extra. B. C. Pauley, Prudential, cautioned that even though recent studies indicate a general reduction in occupational hazards, increases may occur in the atomic energy and chemical fields and also in areas where big industrial concentrations are being developed.

W. V. Hart, Connecticut General, stated that his company will continue to pioneer in highly substandard areas and give consideration to insurance needs for applicants up to age 75. E. A. Lew, Metropolitan Life, remarked that his company is experimenting in the high rating field where, for example, in the case of lives with a coronary history, it appears that a stabilized condition has been reached. F. G. Whitbread, Lincoln National, discussed various aspects of underwriting risks with a history of diabetes or coronaries.

Guaranteed Issue Basis

The underwriting of individual policies on a "guaranteed issue" basis to groups of lives was discussed by H. L. DePrenger, R. E. Moyer and C. A. Yardley. Mr. DePrenger, Continental Assurance, summarized his company's favorable experience for the period 1950 to 1957 and described the standards used to control the type of business. Mr. Moyer, John Hancock, commented on underwriting standards and problems concerning coverage for associations and key men. Mr. Yardley, New England Life, reviewed his company's experience of the past several years and also explored problems which arise with respect to groups of doctors, other professional associations, and "split dollar" cases.

Interesting comments on the development of new ordinary contracts which guarantee insurability at standard rates at specified points of time following the date of issue were given by two speakers. H. G. Allen, Bankers Life, mentioned that although 33% of eligible policies now issued by his company incorporate the new provision, it is much more popular at ages under 25. S. P. Adams, Lincoln National, outlined the reasons why his company's plan embodies a modest amount of additional term insurance.

Company practices concerning entries in the annual statement for additional decreasing and level term insurance were reviewed by William Gould, Metropolitan Life, J. S. Thompson Jr., New York Life, and C. C. Kirkpatrick, American Mutual.

—

Seattle Life Managers Assn. heard L. Thomas Eckstrand, district manager Equitable Society, talk on recruiting and training at a recent luncheon.

Editorial Comment

Chance To Denounce Fee Gouging Muffed

We were a little disappointed at the talk that Dr. Louis M. Orr, president-elect of American Medical Assn., gave at the annual meeting of International Claim Assn. recently. Or to take his advice about not damning the whole for the fault of a part, let's say we were disappointed at his failure to make more of a matter of the serious problem of the overcharging of patients who happen to have major medical coverage.

We were disappointed because Dr. Orr, who is obviously a kindly and well-disposed man, seems to feel that the boosting of fees to reflect the amounts of claim money available through major medical coverages is going to be solved by a little conference with the county medical society.

The fact is that there has been a shocking increase in medical fees in altogether too many cases where the only possible explanation is that the patient has major medical coverage that puts his "ability to pay" in the rich-people class. Some companies have already boosted their major medical rates and indications are that more are going to have to.

It is a pity that this new and excellent type of A&S coverage should be getting this kind of set-back from the very people who stand to gain so much from it if they will only show enough restraint to keep from killing the auriferous goose.

Let it be freely conceded that most doctors are not taking advantage. The trouble is that with the claims payable under the liberal provisions of major medical it doesn't take too many gouging doctors to run the loss ratios up to ruinous proportions. These doctors are spoiling the future takings for themselves and for their less avaricious colleagues. Perhaps they foresee this and figure the only sensible principle to follow is, "I'm gonna get mine now!"

Let's make every possible allowance for the thousands of doctors who don't boost their fees just because there's insurance money available. It still takes more than a few isolated naughty boys in the profession to force companies to alter the rate structure.

The situation is a lot more serious than Dr. Orr and presumably the leadership of the American Medical Assn. seem to think. If organized medicine doesn't take this problem seriously, a lot of decent, fair-minded, non-gouging doctors are going to be penalized through no fault of their own when major medical gets priced out of the market because others in the medical profession insist on making a gravy train out of major medical. Worse still, of course, a large segment of the public will find major medical is just too costly and will go back to the older and simpler system of just letting the doctor wait for his money.
—R.B.M.

Brake On 'Brainstorming'

"Brainstorming"—the stimulating process in which conferees whip out the first idea that pops into their minds—can be carried to excess, according to a warning from an authority. The brainstorming technique has caught on to some extent in the insurance business but with a look at the negative aspect of it, the trend can probably be arrested before it gets out of hand.

"Brainstormers Anonymous" has been suggested by Vice-president Anthony C. Chevins of the Cunningham & Walsh advertising agency of New York as a means of curing brainstorming addicts. Mr. Chevins wants to start a trend away from "mental togetherness" and "groupthink." He wants to stimulate "more lone-think, more guts."

Mr. Chevins' objection to brainstorming is that it discourages analytical criticism, encourages the "shallow-rooted ideas that grow in the top of your head," and emphasizes quantity instead of quality.

In his talk at the New York alumni chapter of Alpha Delta Sigma, Mr. Chevins asks, "What does it mean to get 187 ideas in 47 minutes? I'm sure you've known many people who have at least a dozen ideas a minute—all lousy.

"They waste everybody's time. Nothing is more irritating than someone who submits hundreds of ideas in the hope that one will be acceptable. It is irksome, to say the least, to work with associates who do not take the time or trouble to eliminate the obvious tripe.

"There is nothing the matter with a meeting per se. Even brainstorming has some cathartic benefits—that of purging off the top of the head those worthless ideas that usually stand in the way of constructive thinking.

"But I am particularly against the use of brainstorming because it is the flagrant example of our innate desire to shortcut honest thought—to get something for nothing—to solve all our problems through the pernicious panacea of meetings, meetings, meetings.

"Meetings do not bring out the best in us. They are designed for the people who would rather do anything except actually go ahead and do it. They are a haven for compulsive talkers, impulsive talkers and repulsive talkers."

Speaking for "the lonely courage of independent thought—for ideas born in the sacred solitude of a single brain," Mr. Chevins said: "I know I needn't belabor or bludgeon you with proof that lone thinking pays off. It has since the beginning of recorded time. The great ideas have come from men working alone—Pasteur, Einstein, Edison, Newton."

We believe that Mr. Chevins overstated the case against brainstorming, but we're passing along his views for the sake of any insurance people who have to contend with some overenthusiastic brainstormers and don't know how to keep them from going to excess with what, after all, can be a useful technique if used with moderation and some idea of what can reasonably be expected from it.

It is apparent from Mr. Chevins' diatribe that he is aroused not so much against the brainstorming technique itself, but against the type of extremist who latches on to any new idea and tries to make it carry more of a load than it can be expected to.—R.B.M.

Personals

Richard G. Ebel, an assistant editor of THE NATIONAL UNDERWRITER, became a father for the first time October 10. The baby, named Robert Mitchell Ebel, weighed in at seven pounds, two ounces. The father resumed his newspaper duties after the usual recuperation period.

A. N. Guertin, actuary of American Life Convention, was not on hand for the ALC meeting last week. He was at his home in Winnetka recovering from an operation, and will not be back on the job for about 14 days.

Deaths

RICHARD L. SCHLEY, retired general agent of Penn Mutual Life at Savannah, died after a prolonged heart illness.

WILLIAM L. SHARPE, 77, retired director of Pilot Life, died at Greensboro, N. C. He had been hospitalized for the past 10 months. Mr. Sharpe joined Pilot Life in 1904 and became assistant treasurer in 1927. He was elected a director in 1944 and retired in 1948.

M. E. EVERETT, president of Union National Life of Georgia, died.

Stocks

By H. W. Cornelius, Bacon, Whipple & Co. 135 S. LaSalle St., Chicago, October 14, 1958

	Bid	Asked
Aetna Life	195	200
Beneficial Standard	14½	15½
Business Men's Assurance	86	89
Cal.-Western States	98	102
Columbian National	105	110
Commonwealth Life	23½	24½
Connecticut General	303	308
Continental Assurance	143	146
Franklin Life	75	80
Great Southern Life	86	Bid
Gulf Life	23	24
Jefferson Standard	86	89
Kansas City Life	1550	1600
Liberty National Life	37½	39
Life & Casualty	21	22
Life of Virginia	52½	55
Lincoln National Life	193	198
National L. & A.	97½	99
North American, Ill.	18½	19½
N. W. National Life	86	90
Ohio State Life	330	Bid
Old Line Life	58	63
Republic Natl. Life	54¾	56
Southland Life	110	115
Southwestern Life	130	135
Travelers	85	87
United, Ill.	50	52
U. S. Life	45	47
Wisconsin National Life	68	72

The **Colorado department** has allowed 62 independent multiple line companies to raise rates within the last six months, according to Commissioner Beery.

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DENVER 2, COLO.—234 Commonwealth Bldg., Tel. Amherst 6-2725. J. Robert Ebelhardt, Rocky Mountain Manager.

DES MOINES 9, IOWA—327 Insurance Exchange Bldg., Tel. Atlantic 2-5966. D. J Stevenson, Resident Manager.

DETROIT 26, MICH.—613 Lafayette Bldg. Tel. Woodward 5-2305. William J. Gessing Manager for Indiana and Michigan.

INDIANAPOLIS 20, IND.—5634 N. Rural St., Tel. Clifford 3-2276. William J. Gessing Manager for Indiana and Michigan.

MINNEAPOLIS 2, MINN.—1038 Northwestern Bank Bldg., Tel. Federal 2-5417 Howard J. Meyer, Northwestern Manager

NEW YORK 38, N. Y.—17 John St. Room 1401, Tel. Beekman 3-3958. J. T Curtin and Clarence W. Hammel, New York Managers.

NEWARK 2, N. J.—10 Commerce Ct., Tel. Market 3-7019. John F McCormick, Resident Manager.

PHILADELPHIA 9, PA.—123 S. Broad St. Room 1027, Tel. Pennypacker 5-3706. Robert I. Zoll, Middle Atlantic Manager.

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Inflation Perils Insurance, ALC Told

(CONTINUED FROM PAGE 1)

crisis, when within the span of several months we see United States government bonds down 10 points in price, he added. But in the interest of self-preservation, as well as for patriotic reasons, the life insurance business should assume an aggressive, constructive attitude in supporting the Treasury in its efforts to slow down inflation. No other business has interests more directly involved with the stability of the dollar than life insurance, Mr. Siegel declared.

Staggering Treasury Task

The Treasury faces an almost-impossible job in its efforts to hold to a minimum the monetization of the very large deficits that seem certain, not only in the current fiscal year, but in the next several fiscal years as well.

"It is difficult to avoid the conclusion," Mr. Siegel said, "that continued reliance on the banking system of this nation for placement of additional government securities cannot do other than create tremendous hazards in the years ahead. Preventing further shortening of the average maturity of existing government debt into commercial banking field calls for a much more constructive and aggressive policy than we in the life insurance industry have evidenced in recent years. The need to lengthen the maturity of the federal debt is recognized everywhere."

GERARD'S VIEWS

The life insurance business is undergoing some change in the character of its investments—including some financial "gimmicks," the Financial Section was told by Victor B. Gerard, vice-president and treasurer of Commonwealth Life.

Among today's financial gimmicks, he said, are junior subordinate convertible debentures, purchase lease-backs, revenue bonds on swimming pools and industrial plants, oil production loans and package units of debentures and stocks together.

"If we want to 'keep up with the Joneses' in our business, we must embrace some of these new styles in finance," he said. "If we purchase bonds issued by corporations with top credits, we compete with a new and rapidly growing group of investors in high-grade bonds—of which pension funds and state accounts are good examples—who regard non-criticizable names as essential and who by the sheer volume and concentration of their purchases have brought about lower yields for these credits.

'Off-Beat' Issues A Problem

"The life insurance business, since its continued asset growth permits it always to be a buyer of investments on balance, has little need for the liquidity provided by these high-grade credits and even less need for prominent names that pay with 'board.' Life insurance investments, therefore, can be spread over a broader spectrum."

But "off-beat" financing presents real problems, Mr. Gerard added. First, the investment officer has to sell himself on the security and second, he has to convince his associates on the finance committee.

Mr. Gerard said that in the area of placement finance, it is of the utmost importance to give detailed and earnest consideration not only to management but to indenture terms as well. He expressed the conviction that it is possible to lend money safely and at satisfactory rates to a company of what he described as "rather mediocre investment stature" by carefully tailoring maturity and indenture to suit the circumstances.

"We should appreciate that a debenture of a medium-grade company with a relatively short maturity and proper indenture terms can have as much real investment stamina as a very long-term bond of a high quality corporation," he said. "Maturity and indenture terms can frequently be made an adequate substitute for so-called quality."

All the other Financial Section speakers were from outside the life insurance business.

O'Mahoney Questions Commissioners On Operational Details

(CONTINUED FROM PAGE 1)

surers of each type? Give names of domestic companies liquidated or fully reinsured during the past five years, domestic or out-of-state, whose licenses have been revoked or suspended during that period and all mergers or acquisitions through which control of a domestic insurer or of one or more separate lines of a domestic insurer have been taken over by another corporation.

The commissioner is asked to cite all state statutes which may be invoked against restraint of trade, monopolies, or unfair trade practices in the insurance industry and to detail all actions taken during the past five years invoking those statutes.

How is the commissioner selected? What is his tenure? What is his salary, personal history, background and special professional qualifications? What offices in National Assn. of Insurance Commissioners does the incumbent commissioner hold?

Does any department staff member have any "concurrent employment or advisory connection with insurance companies or insurance organizations?" Other questions in this area concern the size of the departmental staff, the pay of staff members, and their qualifications. What specific research has been done in the past three years? The commissioner is asked to submit his operating budget over the past six years, broken down in detail and with special reference to "regulatory activities."

The subcommittee wants a complete breakdown of licensed domestic and out-of-state insurers of all types, together with premium tax received from each in 1957, and the net premiums within the state of each licensed company. Also called for is an explanation of department policy with respect to frequency of examination of domestic insurers and a breakdown of the number of companies of each type not examined within the past five years.

California Department Names Two

Mervin R. Samuel, acting chief of the compliance and legal division of the California department, has been named administrative head of a new bureau of employe health and welfare regulation. Frank Fullenwider has returned as head of the compliance and legal division.

U.S. Chamber Eyes Federal Regulation

In a letter to the insurance membership of the U. S. Chamber of Commerce, following a recent meeting of the insurance committee, A. L. Kirkpatrick, manager of the chamber's insurance department, said that it is commonly believed that the ocean marine business will be the next subject of inquiry by the Senate anti-trust subcommittee. He noted, however, that Sen. O'Mahoney has proceeded almost single handed, except for some support from Sen. Kefauver who is actually the committee chairman. Even Republican committee members are completely in the dark as to present activity and future plans for the inquiry, Mr. Kirkpatrick said.

In another connection, he declared that reports to be filed with the Department of Labor, in connection with welfare and pension funds, may prove to be a first step in federal regulation of the business. Under the act just passed, no regulation is involved. However, the letter states, President Eisenhower will almost certainly make recommendations for amendments, and the issue will be fought out again next year.

Urges All-Out Crusade Against Inflation

(CONTINUED FROM PAGE 2)

ultimate destruction of our society's spirit of self-reliance, our national character, and ultimately making all utterly dependent on government. It may be our own or one which we may not care to recognize—not necessarily foreign, but a prototype which we may have allowed to mushroom on these rock-bound shores which through neglect we have allowed to become a quagmire.

"Our nation is faced today with an anticipated peacetime deficit of $12 billion for this fiscal year. We are faced with federal budgets of upward of $80 billion or more annually. Shall we build a bridge to cross this chasm or shall we take the easy road and fall into the abyss of socialism?

Fate Of U. S. Credit?

"Unless our current policies are reversed, what will happen to our federal government's credit? One has only to look at the Aug. 1, 1958, bond refunding operations and omit the maturing bonds held by government agencies to find the answer. One may find the answer also by reviewing the government bond market for these past several months. There never was a more propitious time than now to make all members of Congress, as well as all those in the administration, fully cognizant that the American people are fully aware of the dangers of uncontrolled inflation and of what happened in nations such as France and Italy.

"What are these forces of inflation? Whence comes their strength? Is it the unlimited extension of credit supported by so-called government guarantees? Is it the system of government subsidies supporting abnormal price levels on foods and farm products? Is it the result of powerful unionism forcing wages ever upward? Is it from contracts by government on a cost-plus basis? Is it a result of the international rearmament race, and the resulting spiral in costs of durable goods in order to obtain similar profits?

Scores Giveaway Programs

"Is it a result of deficit spending by government never before experienced in time of peace? Or is it that we are adopting the policies of the governments of Europe and if so, will we be satisfied to travel down the same road with them? Are we being maneuvered into this position by other governments in our international giveaway programs? I sometimes think that they must be strong in their religious conviction that 'Ask and it shall be given unto you.' And our government is attempting to prove just that.

"So we ask again, 'What kind of dollars will the next generation of life underwriters deliver to the beneficiaries designated in the policies which we of this generation are creating with our policyholders?"

Must Organize Grassroots

Mr. Pritchard declared that each state must be organized on the grassroots basis so that every senator and representative will be made to realize that the American citizen of this generation is just as interested in saving the nation for future generations as in having a giveaway program that has become one of the greatest pork-barrel systems for obtaining votes ever foisted on the American electorate—and they call it 'social security.'

"We charge our 75,000 members of NALU with the responsibility, both individually and collectively, to contact personally his or her congressman and senator regarding this grave situation," he said. "We therefore urge on each of your members the necessity of bringing all of the facts of our social security program, of our deficit financing, of our international giveway program to the citizens of his community to the end that Congress and this administration be made fully aware that we, the life underwriters of this nation, are dedicated to the obligation of delivering dollars in the future that we are now promising and have promised in the past to be delivered to the beneficiaries of the contracts to our policyholders.

"We must ever be alert to the ravages of taxation and other ill-advised legislation that will in any way adversely affect contracts which we have delivered or the proceeds resulting from the maturity of those contracts, either by death or otherwise. To this end we pledge this administration of your National Assn. of Life Underwriters."

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Tells ALC Agency Section How He Uses Agents To Help Recruit Men

(CONTINUED FROM PAGE 2)

as a man who is "part of your team—a person that you like and likes you."

"He has to know the business and have the patience of a teacher," said the speaker. "He has to be enthusiastic and be able to impart that enthusiasm to others. He has to be loyal and able to earn the respect of the people he is supervising. But most important of all he must be completely unselfish. Many times our top salesmen are much too selfish to be good supervisors.

Appeal To His Ego

"To develop a supervisor from a successful producer, the thing you have to sell is not money. You have to appeal to his ego, the sales management concept, and the opportunity to help others get started in this great business of ours. You have to make them want to be part of the team and sell them on the job satisfaction supervisory work affords."

The supervisor, he said, has complete authority and responsibility in h unit. He is encouraged to use h judgment in recruiting, selectio training and supervision. Many ma agers make the mistake of hiring a s pervisor, paying him and refusing give him any real responsibility authority, but, Mr. Best added, there no point in paying someone to do job and continuing to do it oneself.

H. Harold Leavey (left) of California-Western States Life, chairman of the ALC legal section, receiving congratulations from the retiring chairman, Dudley Porter Jr. of Provident L. & A.

Insurers Push For Full Multiple Lines

(CONTINUED FROM PAGE 6)

York which does not permit a company, wherever domiciled, if op ating in New York state, to buy a company. There was, of course, famous case of Connecticut Gener which was prevented by the New Yo insurance law from acquiring Natio of Hartford. On the other hand, Har ford Fire, which is now negotiating purchase Columbian National Li will undoubtedly be permitted to so, so far as the New York departme is concerned, because there is no l preventing such an acquisition. The is no doubt but that the New York l will be changed as the opposition to becomes more determined and voc

Agency Organizations Impress

Any discussions of a company ope ating on the multiple line basis, a there will be many of them in the f ture, should not be concluded witho remarking that the regulation stoc fire and casualty companies have bee impressed more than a little by th size and effectiveness of the agenc organizations of the captive-agen companies. Such organizations all b gan in the property field, writin principally automobile insurance the smaller towns and cities. The particular type of operation requir their agents to make many calls, i cluding a large number in the evening Their success in the automobile fiel is beyond question. Several of them now provide fire and casualty cove age on property other than autom bile, and most of them have organize life affiliates.

Their success in the life field h been so pronounced as to warra close attention and study. It demo strates that the average local age can make a success of life insuran that pushing and selling life need n interfere with the average loc agent's property insurance operatio These captive-agent companies hav on performance, established beyo contradiction the fact that the loc agent of any size anywhere can persuaded to increase his income m terially by writing life insurance.

—

NALU Begins Membership Drive To Reach Year-End Goal Two Months Early

National Assn. of Life Underwrite moved into the last quarter of 19 with a record number of members a its membership committee, headed William E. North, manager of Ne York Life at Evanston, Ill., announc its intention to launch an all-out dri to reach the year-end goal of 77,6 by Oct. 30.

In making known the committe intention to concentrate on filling quota ahead of schedule, Mr. Nor said that membership, as of Sept. was approximately 75,250 as compa to the previous high of 73,431 at end of 1957.

Road Condemnations Demand Precautions

(CONTINUED FROM PAGE 7)

life company becomes a party with interest with the condemning authority, seeking to uphold the legality of the condemnation proceedings and concerned that the amount of the condemnation awards are not excessive.

May Be In Owner Role

Where a life company owns and occupies properties, these properties may become the subject of condemnation. Necessary appearances must be made, conclusions must be drawn regarding the legality of the taking, evidence of value must be accumulated and full participation in the proceeding must be had. However, a life company might not be recompensed for such factors as loss of a historic company address or a symbolic building style, or for the inconvenience of changing its business to a new location.

In its housing developments and other company-managed investment properties, the life company encounters condemnation problems posed by its relationship with third parties. Two things are involved: How a possible condemnation award will be apportioned between life company and tenant; and what effect the condemnation will have on the landlord-tenant relationship.

Sale-Leaseback Is Typical

A typical pattern for income-producing real property investments is the sale-leaseback, where the life company acquires property and simultaneously leases it back to the vendor, who operates it under a long-term lease. Since the purchase price in a sale-leaseback does not necessarily reflect the price that would be negotiated between a willing buyer and a willing seller in an open market, it is obvious that a lease which provided for termination upon condemnation and for all awards to be retained by the landlord, could severely penalize the tenant if condemnation should occur. It is customary, therefore, to tailor the lease provisions so that any award would be apportioned between landlord and tenant to reflect their respective investments in the property.

If a life company purchases or erects a substantial building on ground leased from another, it is essential that its interest in the building be protected should condemnation occur. The award should accurately reflect the value of the tenant's interest in the building.

Mortgagee Must Enforce Rights

Condemnation's greatest impact on life company investments has been, and may be expected to be, in the real estate mortgage area. Under state law, decisions have been in accord with the proposition that mortgage debts may be satisfied out of the condemnation award when mortgaged property is taken or damaged as to impair the mortgagee's security, provided that the mortgagee takes all necessary precaution to enforce his rights.

Many life company residential mortgage loans are insured or guaranteed, as the case may be, by Federal Housing Administration or Veterans Administration. Neither law nor regulations expressly mention the subject of condemnation or its impact on investors' rights. VA regulations, as they have been interpreted, place a severe burden on the lender in condemnation and other legal proceedings; failure to observe the applicable requirements can, after foreclosure, result in a reduction or loss of the VA's guaranty.

Fortunately, the position has been taken by the VA that there will be no diminution of the guaranty if the lender's default does not result in any loss to the guarantor. The FHA has indicated that the risk involved in a condemnation proceeding is not assumed by the commissioner but rather rests with the lender.

The life company, according to FHA views which are not necessarily shared by lenders, must take all necessary steps to insure that the amount of any award is adequate compensation for the property taken, such adequacy to be determined, perhaps, with hindsight by the FHA.

N.Y. Hearings Set On Proposed Legislation

New York insurance department is holding its annual informal hearings on proposed legislation Oct. 21-22 at New York County Lawyers' Assn., 14 Vesey street, New York City.

The casualty, fire and marine, and the agents' and brokers' agenda will be discussed on the first day. The life, fraternal and A&S agenda will occupy the second day. The hearings will run from 10 a.m. to 4 p.m.